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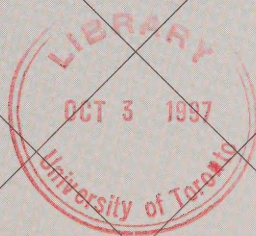
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**NATIONAL
HOUSING
OUTLOOK
FIRST
QUARTER
1996**



National Housing Outlook

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**NATIONAL HOUSING OUTLOOK
FIRST QUARTER, 1996**

Forecast prepared February, 1996

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CANADA MORTGAGE AND HOUSING CORPORATION**

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TABLE OF CONTENTS

| | |
|------------------------------------|----|
| Executive Summary | 1 |
| National Housing Outlook | 3 |
| Gilles Proulx | |
| Michel Laurence | |
| Newfoundland | 7 |
| Mac Woodman | |
| Brian Martin | |
| Prince Edward Island | 9 |
| Ralph Freeze | |
| Nova Scotia | 11 |
| André Moore | |
| Sally Erskine Doucette | |
| New Brunswick | 14 |
| Bruce Read | |
| Laurie Gosselin | |
| Quebec | 16 |
| Kim-Anh Lam | |
| Ontario | 19 |
| Alex Medow | |
| Dallard Runge | |
| Manitoba | 23 |
| Richard Goatcher | |
| Saskatchewan | 25 |
| Paul Caton | |
| Todd Selby | |
| Alberta | 27 |
| Laurie Scott | |
| Karla Spilsted | |
| British Columbia | 29 |
| Helmut Pastrick | |
| Tables | 32 |

Executive Summary

In 1995, total housing starts fell 28 per cent to a low level of 110,933 units. The rate of decline was similar for single-detached dwellings and multiple units. In the existing home market, however, units sales through the MLS* system posted a smaller drop, of 13 per cent, to 262,249 units.

Falling mortgage rates could not offset several forces that lowered consumer confidence: job creation faltered during the first half of the year, there were minimal income gains, and job prospects were uncertain in the public and private sector. The resulting slow housing demand pulled down prices of existing homes, and offered fierce competition for the new market.

The outlook for housing in 1996 and 1997 reflects favourable mortgage financing costs but only a moderate economic expansion, high vacancy rates and low demographic pressure. The current low mortgage rates combine with moderate price levels to make home ownership the most affordable in 25 years. Mortgage rates should stay low through most of this year, but they are expected to rise gradually in 1997. The uptrend will reflect higher rates in the U.S. as a result of a stronger economy there.

Canadian economic activity, following its hesitant pace of the second half of 1995 and early 1996, should advance moderately later in 1996 and in 1997.

On the demographic side, two factors are at work. Canada's adult population is growing more slowly than in the early 1990s as immigration levels have dropped. In addition, household and family formation by young adults is being delayed in response to limited job prospects. These trends contribute to lower housing demand for rental apartments and condominium units, and guarantee a slow takeup of those types of housing. The rental

vacancy rate is expected to fall in 1996, but should remain above the equilibrium point needed to stimulate rental construction.

As a result, total housing starts are expected to stay low this year, at 111,000 units. A double-digit increase in starts of single-detached dwellings, to 71,800 units, will be just large enough to offset a further reduction in construction of multiples, to 39,300 units. In 1997, a moderate recovery in both types of construction will lift total starts to 117,500 units. Home sales on the existing market will be up slightly both this year and next, and home prices will firm up in most local markets.

NEWFOUNDLAND

Significant reductions in Hibernia-related spending and additional government cutbacks will lead the provincial economy in a period of decline over the next two years. Cushioning the decline will be some gains in mining, tourism and fishing. The outcome will be employment losses, high levels of migration out of the province and population declines. All these factors, combined with ongoing competition from the existing homes market, will result in fewer single-detached starts. Lower levels are also forecast for multiple-unit construction this year because of high inventories of new two-apartment units and an oversupply of rental housing in larger projects.

Total housing starts should fall from 1,712 in 1995 to 1,575 this year, with a further reduction to 1,550 in 1997. Multiple-unit construction is expected to turn around next year, while single-detached construction will fall both this year and next.

PRINCE EDWARD ISLAND

Construction of the fixed link will dominate the economic picture over the next two years, boosting provincial

economic activity. But this is a temporary project, which tends to overstate the strength of the provincial economy. More fundamentally, employment is declining in Charlottetown, and tourism and the potato industries have had two record years in a row, a performance that will be difficult to sustain. In this environment, the housing starts forecast reflects a stable market that unfortunately is occurring at a low point for home building.

Housing starts this year are expected to remain near the 1995 level at 425 units, and to decline slightly to 410 in 1997. Both single and multiple-unit construction will show a stable profile.

NOVA SCOTIA

The Nova Scotia economy is expected to keep running in low gear as consumers remain uncertain about government restraint measures and poor employment prospects. Hesitant home buyers will ensure the continuation of a buyer's market. Sales activity and new construction are concentrated in the affordable price ranges. In the rental market, high construction activity in Metro Halifax and slow occupancy have pushed vacancy rates higher and will hold down rental construction.

New construction is expected to drop to 3,800 units this year, almost nine per cent fewer than in 1995. A moderate increase, to 4,000 units, is forecast for 1997. Although single and multiple-unit construction share this profile, single-detached construction will show more stability.

NEW BRUNSWICK

The province's resource industries, forestry and mining, will again post a strong year in 1996. However, shipbuilding in Saint John is facing the prospects of a total shutdown. Services will be struggling, with public sector cutbacks. In short, employment will be expanding more modestly than in 1995

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

and job uncertainty will keep consumers and home buyers cautious. Although the existing home market should fare better than new construction, neither sector will reach its potential in 1996.

New construction, helped by falling mortgage rates and an affordable market, will increase by 6.5 per cent to 2,450 units this year, with a further advance to 2,800 units next year. This year's increased activity will be concentrated in single-detached construction, while multiple construction will remain close to 1995's low levels.

QUEBEC

Several forces will act to limit housing construction in the province. First, modest economic growth and restructuring will cut payrolls in large private sector companies and the public sector. The resulting tough job market will stem consumer buying plans for big ticket items, including homes. Second, the rental housing market faces low demand, as immigration levels are now much lower than they have been during the past decade. Finally, surpluses on the rental and condominium markets will keep construction low in those sectors.

Housing starts in the province will hold at 22,200 this year and 23,100 in 1997, only slightly more than in 1995. Any recovery will be limited to single-detached homes and other ownership products, such as semi-detached dwellings and row houses.

ONTARIO

Ontario's pace of economic expansion will slow down this year as fiscal tightening at all levels of government will dampen private sector job creation. Activity should pick up somewhat in 1997, when the goods-producing industries of the province benefit from stronger economic growth. This year's slow expansion in the economy and job market will limit the positive impact of low carrying costs on home ownership demand. Throughout the forecast period, international migration to the province is expected at higher levels, but the impact on housing demand will be limited.

Total housing starts are expected to rise nearly nine percent, to 39,000 units. Single-detached construction will account for all of the increase. In contrast, lower rental starts will contribute to a further drop in multiple-unit construction. For 1997, construction should reach 41,000 units, with both types of units recording some increase.

MANITOBA

While agriculture, manufacturing and resource industries continue to bolster the economy, public sector cutbacks will restrain overall economic growth levels and keep consumers cautious. This will partly offset the impact of affordable prices and low mortgage rates. As a result, sales of existing homes will experience only a slight comeback over the forecast period. The oversupply of new homes will delay recovery in Winnipeg until later this year. Similarly, new rental construction will be hampered by high apartment vacancies.

Total housing starts should increase 9.5 per cent this year, to 2,150 units, and reach 2,450 units in 1997. Both single-detached and multiple construction will post higher activity in 1996 and 1997.

SASKATCHEWAN

Saskatchewan's economy and housing markets present a paradox. The province's core sectors, agriculture and resources, are enjoying strong sales and good price conditions on world markets but housing activity remains low. The key is that resource industries create few new jobs, and the province's population is stable and aging. In 1995, there were higher average prices in the persistently tight resale market. Demand for new single-detached units has come mainly from move-up buyers. However, better resale prices will close the price gap between new and resale units. This will improve demand prospects for new starter homes.

For 1996 and 1997, total housing starts in the province are expected to remain stable, at a relatively low 1,700 units, the same level as in 1995. As

well, the mix between single and multiple starts will stay fairly constant.

ALBERTA

The province's economy will see modest improvement over the next two years. A low Canadian dollar and strong U.S. economy will continue to support strong export growth and manufacturing. The energy sector will stay healthy, although drilling activity will be reduced and prices will remain low. The spending plans of consumers, however, will remain hampered by public and private sector restructuring, and this will be reflected in housing markets. In particular, slow sales and surplus inventories will keep new construction fairly stable this year and next.

Total housing starts are expected to edge up 3.0 per cent to 14,300 units this year, with another slight increase to 14,900 units in 1997. This year's increase will be thanks to an 11 per cent jump in single-detached construction. Starts of multiple units, both rental apartments and condominiums, will drop nearly 20 per cent because of high vacancies and large inventories.

BRITISH COLUMBIA

The B.C. economy is growing more slowly: exports have dropped off and domestic demand is beginning to languish. As a result, employment growth is slowing down and the province is seeing a smaller influx of immigrants. Housing is directly affected by these reduced flows: fewer sales occur, rental demand grows more slowly and new construction requirements drop. These conditions have worked to bring prices down across the spectrum of housing products.

New construction should drop 14 per cent this year, to 23,400 units. Next year, it is expected to recover to 25,600 units. This pattern reflects an expected drop of nearly a third in condominium starts this year as a result of large inventories and slow demand. New single-detached construction should be up by around 10 per cent this year and next because better mortgage rates and lower prices make housing more affordable. ■



Canada

by Gilles Proulx
and Michel Laurence

A disappointing year

For home builders and the home building industry, 1995 was a disappointing year. Total housing starts fell 28 per cent, to 110,933 units, the lowest construction level in 35 years. Both single and multiple unit construction recorded similar percentage declines, to 64,425 and 46,508 units respectively.

Although mortgage costs began to drop early in 1995, the economy remained at a standstill through the first half of year and recovered only hesitantly during the second half. These conditions hurt consumer confidence and housing demand.

While the resale market rebounded as soon as mortgage costs retreated, there were too many sellers for each prospective buyer on most markets. The sales-to-new-listings ratio was low and prices of existing homes slumped. In total, sales through the MLS system fell 13.4 per cent, to 262,249 units, while average prices eased 5.1 per cent to \$150,713 as a result of less activity in high price markets and soft prices in most local markets.

Soft prices on the resale market created powerful competition for newly built homes. In order to face this competition, builders compressed their margins, closely monitored their costs for labour and materials, and lowered the price of new homes by 1.2 per cent, as measured by the New House Price Index. This was not enough to match developments on the resale market and represented a major cause for the sharper drop in new construction activity.

At the end of the year, the key components of the housing market were sending mixed signals. Starts of single-detached dwellings were inching up, mainly as a result of stronger demand in smaller centres and rural areas. An affordable market and leaner inventories were also helping new construction. From the third to the fourth quarter, the rate of starts rose from 61,400 to 66,800 units on a seasonally adjusted annual rate basis (SAAR).

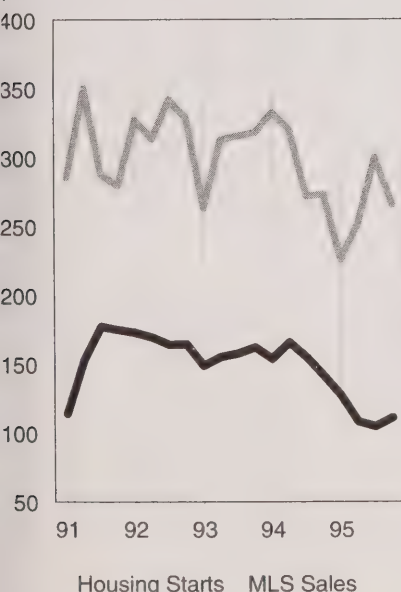
In contrast, multiple unit construction, mostly rental apartments and condominiums, remained weak at 44,300 units SAAR, only 1,000 more than the third quarter rate. High vacancy rates on the rental market, large inventories of new unsold condominiums and low social housing construction were the main factors delaying any rebound.

As for the resale market, activity cooled down during the fourth quarter following a strong rebound at mid year. Sales fell 11.3 per cent, to an annual rate of 265,800 units, from a third quarter level of 299,700. Prices remained weak although there were signs of firming up as fewer new listings helped restore better balance to the market.

Resale market cools off . . . new construction remains low

Housing starts and residential MLS sales — Canada

(thousands of units, SAAR)



SOURCES: CMHC, Canadian Real Estate Association.

1996-97 Outlook

Will consumers seize rare buying opportunity?

A golden rule of successful investing is to buy low. The housing market now offers this rare opportunity to prospective first-time buyers. Indeed, the market has not been this affordable since 1970, according to CMHC's Affordability Indicator. The year 1996 begins with very moderate price levels both on the existing and the new market. Added to this are three rounds of mortgage rate cuts in the opening weeks of the year and eager lenders ready to offer discounts from posted rates, something unheard of a few years ago.

Moreover, the economy emerged from the pause of the first half of 1995 by avoiding the recession that many had feared. There were moderate gains in employment during the second half of year.

All this would normally fuel home buying and consumer spending on big ticket items. But so far, things have turned out differently. The key factor is that consumers remain excessively cautious: job prospects appear uncertain to many, as a result of public sector cutbacks and more cost cutting by the private sector. In confirmation of this, the index of consumer attitudes monitored by the Conference Board of Canada fell 10 per cent during the fourth quarter of 1995, to its lowest level since the 1991 recession.

Moderate economic expansion and slow population growth

Following its hesitant pace of the second half of 1995 and early 1996, the economy should advance more

convincingly later in 1996 and in 1997. The primary driving force will remain the export sectors of the economy, reflecting better economic growth in the U.S. and overseas and the strong competitive position of Canadian industries. Business investment is also expected to remain a positive element due to excellent profitability, the pressure to modernize and the export selling drive.

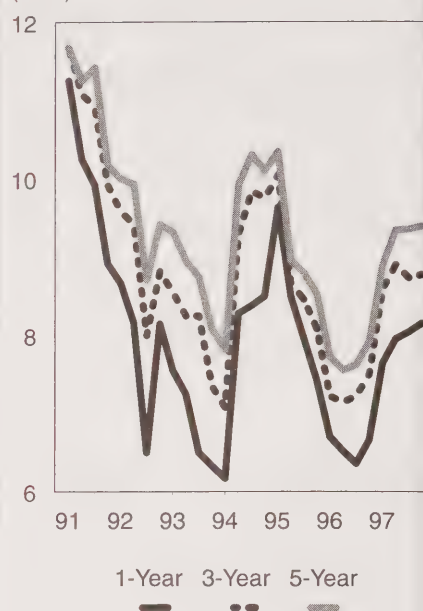
As employment trends become more favourable, consumers are expected to emerge gradually from their current mood. No upbeat turn, but a step in the right direction. The public sector will remain a major source of drag on the economy as public finances are steered toward balance. In total, the economy is expected to expand by 2.0 per cent this year and 2.7 per cent in 1997. Total employment should be up 1.1 per cent this year and 1.3 per cent in 1997.

Mortgage interest rates are expected to edge further lower from their mid-February level of 6.50 and 7.80 per cent for the one- and five-year rates, and should remain low through most of 1996. In 1997, however, a stronger economy, especially in the U.S., should push interest rates moderately higher. Mortgage rates will follow in tandem and the five-year mortgage rate is expected to average 9.25 per cent in 1997 compared to 7.7 per cent in 1996.

Population trends are contributing to slower growth in housing requirements. Total net migration recovered in 1995, mainly on the strength of a larger contingent of non-permanent residents. But the average for the two year period 1994-95 was only 156,000 persons, much less than the 203,000 of the preceding two years. And it is forecast to

Low mortgage rates in 1996

(in %)



SOURCES: Bank of Canada; 1996-97 CMHC forecast.

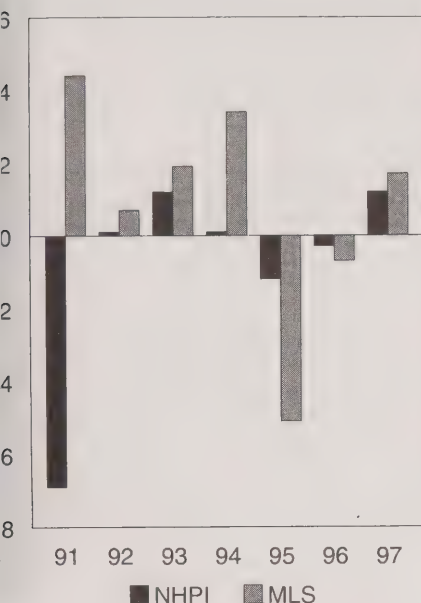
settle at around 168,000 for 1996 and 1997, only marginally more. As a result, the growth of the adult population will remain close to the lower levels of the last two years.

Trends in the crucial young adult population remain unfavourable: this age group is smaller than its predecessor and is thus producing less demand in the rental market. Moreover, the extremely low levels of current rental demand suggest that this group is forming households later than previous generations, likely because of limited employment prospects.

Steady housing outlook

Despite a moderate economic expansion and low mortgage rates, total housing starts this year are expected to remain unchanged from last year's level, at 111,000 units. This outlook reflects low demographic pressure and, more important, shifting attitudes as many young adults delay the formation of households

**... and lower prices make
home buying more affordable**
Annual percentage price change for
new (NHPI) and existing homes
(MLS) — Canada



SOURCES: Canadian Real Estate Association,
Statistics Canada; 1996-97 CMHC forecast.

and families. As well, consumers are showing weak confidence in the face of uncertain job prospects and are less attracted to housing as an investment. Finally, excess supplies persist for rental apartments and condominiums. In 1997, total starts are expected to be only moderately higher, at 117,500 units.

Even in this environment, however, the combination of moderate economic growth and lower mortgage costs points to some further gains in the resale market, especially as we get into spring, the best home selling season. Sales through the MLS system are expected to reach 282,000 units, an increase of 7.5 per cent over the 1995 level. A further advance is forecast for 1997, when stronger economic fundamentals will work to offset the impact of the uptrend in mortgage interest rates.

With very small price increases, homes will continue to be affordable. In 1996, the average price for MLS transactions is forecast to be up in most provinces, but by less than two per cent everywhere. In B.C., continuing market correction and a shift in market activity will pull the average price down by a further 6.7 per cent. Price changes are also limited in the new home market, with the average down by 0.2 per cent this year.

The market for single-detached homes should expand in 1996 and 1997. With recent drops in mortgage costs and somewhat leaner inventories, the short-term positive trends already evident in this market should continue. In some urban centres, home buyers should also find the new market somewhat more attractive than resales. This will be the case where stronger demand is reducing choice and raising prices for existing homes. Market gains, however, will remain modest because of low consumer confidence. We expect single-detached starts to rise 11.4 per cent to 71,800 units this year, with a further advance to 76,100 units in 1997.

First-time buyers are expected to remain an important factor in the single-detached market. There should also be some move-up buying as a result of the firmer tone of the resale market since mid-1995. Builders, however, should expect many of those experienced buyers to remain very cautious and value-conscious. Many of them have built up little equity, and they are moving up mainly because of need: they work at home or the family is growing up.

In contrast, multiple-unit construction has not yet bottomed out. Total level of starts is expected to drop further this year to 39,300, or 15.5 per cent less than in 1995. This

decrease is the result of several factors mentioned above in relation to demographic trends and excess supplies. High vacancy rates in most local markets make it difficult for new projects to compete with rent levels prevailing on the market. As well, large condominium inventories, particularly in western metro areas, and high volumes still under construction make marketing and financing of new projects difficult and will cut starts levels significantly this year.

For 1997, construction of multiple units is expected to recover moderately to 41,400 units, mainly as a result of more condominium construction.

Stronger prospects in Ontario

Among the large regional markets, Ontario is forecast to enjoy the most significant recovery in new construction this year and next, mainly due to the strength of its regional economy, higher migration and a market already closer to balance with relatively low inventories. Construction of single-detached units should be up by more than 20 per cent this year.

The Prairie region should also perform relatively well mainly as a result of higher activity in Alberta and Manitoba. In the Quebec market, activity is expected to remain very weak due to slow demand. Construction will fall further in British Columbia because of the current surplus of multiple units. In the Atlantic region, only New Brunswick is expected to see a significant recovery in new construction. On the resale market, some of the best rebound in sales volume will be in Alberta and British Columbia. ■

Large supplies bring multiples down again in 1996

Multiple supply review by region

| | B.C. | Prairies | Ontario | Quebec | Atlantic |
|-------------------------------------|------|----------|---------|--------|----------|
| Rental market in metro areas | | | | | |
| Vacancy rate — October 1995 | 1.6% | 5.9% | 1.9% | 6.3% | 8.2% |
| 1994-95 Trend | Up | Down | Down | Down | Up |

Row and apartment inventory in urban centres

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Year-end level as a % of 1995 absorbed units | 32.3% | 48.2% | 20.8% | 32.4% | 15.0% |
| 1994-95 Trend | Up | Up | Down | Down | Up |

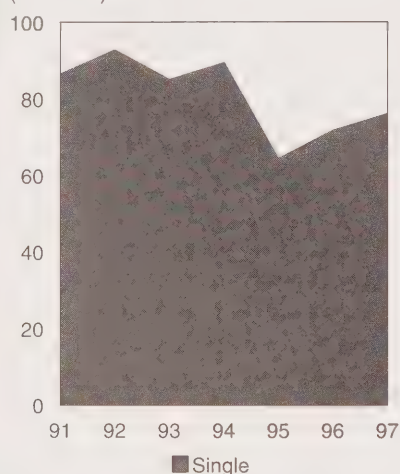
Multiple starts

| | | | | | |
|----------------|--------|--------|-------|-------|--------|
| 1995-96 change | -31.5% | -14.1% | -7.6% | -2.4% | -14.5% |
|----------------|--------|--------|-------|-------|--------|

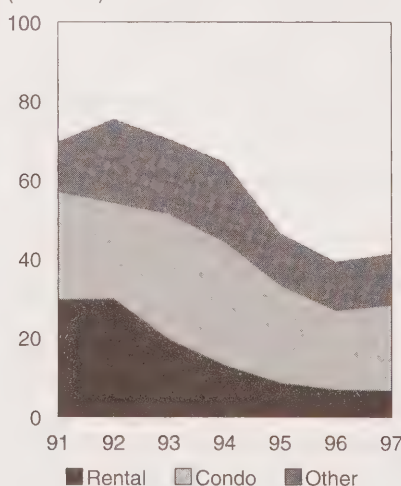
SOURCE: CMHC

New single construction up but multiples still shrinking

Single-detached
(000 units)



Urban rentals, condos and other multiples
(000 units)



Source: CMHC.

- Two key measures define the supply-demand balance for multiples: rental vacancy rates and unsold inventory of new units, mainly condominiums.
- The picture varies across regions but all show overall surpluses leading to lower starts for 1996.
- The largest drop expected is for British Columbia: both inventories and the vacancy rate are up. The latter is still low, below the 3% level indicating a balanced rental market. But the outlook is for lower in-migration, which reduces multiples demand.
- Very large and rising inventories weigh on the Prairie outlook. The regional vacancy rate remains too high although it has declined in the last year.
- In Ontario, a moderate decline is expected. Rental vacancies and inventories are low and improving, but the volume under construction was up at the end of 1995.
- Only a marginal decline is expected in Quebec: surpluses, although still excessive, came down sharply in 1995, and very small volumes are under construction.
- In the Atlantic region, a high and rising vacancy rate is the main reason for the expected drop in 1996 starts.
- As the charts illustrate, only single-detached starts should be up this year.

Newfoundland

by Mac Woodman and Brian Martin



Highlights

- Housing starts maintain downward trend
- Existing homes market poised for modest recovery
- Rental market remains oversupplied

Housing starts hit 30 year low in 1995

Despite higher employment and favourable interest rates, provincial housing starts fell to their lowest level in 30 years in 1995. Concerns over job security, increased migration out of the province and competition from the existing homes market were the major factors in the decline in residential construction. Activity during the fourth

quarter remained weak, particularly in urban areas. Single-detached starts fell almost 20 per cent last year, maintaining a downward trend which began in 1990. With vacancy rates hovering in the 10 per cent range, multiple unit starts fell by more than 30 per cent from a year earlier.

Existing home sales also retreated last year as job worries kept many potential home buyers on the sidelines. An upturn in sales during the early fall did not carry through to year-end as the threat of further government cutbacks heightened job concerns. Sales declines were widespread, with both the St. John's and central Newfoundland resale markets posting fewer MLS sales last year. Oversupply and reduced demand combined to drag the average provincial MLS house price down by more than 2 per cent in 1995.

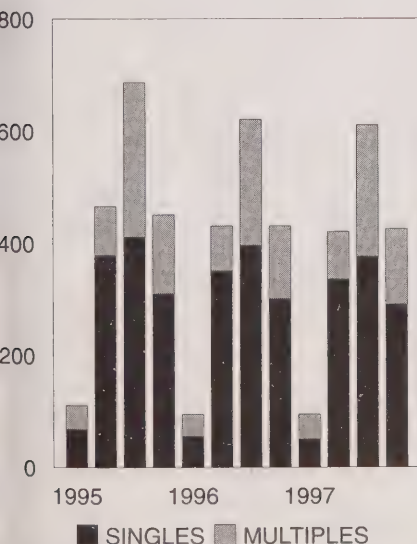
Despite the continued moratorium on key groundfish stocks, the fishing industry is forecast to post modest growth in 1996 and 1997, largely on the strength of crab landings and increased aquaculture production.

Spinoffs flowing from the Hibernia project will fall sharply over the next two years as the project moves towards its production phase. Direct expenditures on the project will be cut in half in 1996, with further reductions next year. Direct employment on the project will decline by more than 4,000 person years in 1996 and 1997. On the upside, activity related to the production phase of Hibernia and expenditures associated with the initial stages of the Terra Nova oil field will help to cushion the blow. Oil exploration activities on the province's west coast will also provide some economic benefits in the near term.

Mineral exploration prompted by the Voisey's Bay discovery and the expected start-up of a number of smaller mines will contribute to healthy gains in the mining industry over the next two years. Longer term prospects are even brighter once Voisey's Bay commences full scale production. Recent announcements indicate that nickel reserves at Voisey's Bay are significantly larger than original estimates and are more than adequate to support a smelter. Should construction of a smelter proceed, both long term employment and associated development expenditures on Voisey's Bay would be greatly enhanced. The iron ore and newsprint industries are also expected to perform well in 1996 and 1997.

Housing Starts NEWFOUNDLAND

(units)



SOURCE: CMHC.
1996-97 Forecast.

1996-97 Outlook

Economic slump in the near term

Following modest growth in 1995, the provincial economy is expected to enter a period of decline over the next two years. Significant reductions in Hibernia-related spending and additional government cutbacks will be the main contributors to the decline. These will more than offset gains in mining and tourism with economic growth forecast to fall 2.0 per cent in 1996 and edge down a further 1.5 per cent in 1997. Prospects for a robust recovery are much brighter in 1998 and beyond.

Job losses on the Hibernia project and cutbacks in government spending will lead to lower employment in each of the next two years. Consumer uncertainty and stagnant income growth will also have an adverse effect on retail sales. Accordingly, employment is forecast to decline by 2.0 per cent in 1996 and by an additional 1.0 per cent in 1997. High unemployment coupled with a significant decrease in the number of persons receiving fishery support payments will prompt more individuals to leave the province. This outmigration will serve to reduce the size of the labour force, and limit the rise in the unemployment rate to between 19 and 20 per cent.

Economic downturn limits housing starts

Population decline stemming from high levels of migration away from the province will constrain residential construction over the next two years. Rising debt loads and stagnant income growth will also limit the ability of individuals to buy new homes. These factors, combined with ongoing competition from the existing homes market, are expected to weaken demand for new single-detached homes. Multiple unit construction, which has been heavily concentrated in two-apartment homes in recent years, is also forecast at lower levels in 1996. High inventories of new two-apartment units and an oversupply of rental housing, particularly in larger projects, will also discourage multiple unit construction.

Underlying weakness in the housing market will force many builders to once again abandon speculative construction activity. An increase in the supply of housing targeted to the fifty-plus market will provide a modest boost to multiple starts in 1997. Total housing starts are forecast to decline to 1,575 homes in 1996 and to fall slightly to 1,550 units in 1997.

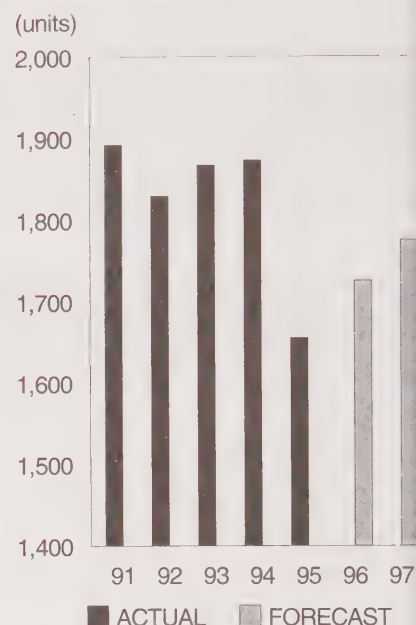
Resale market to benefit from competitive edge

An abundant supply of lower priced housing will attract more people to the existing homes market in both 1996 and 1997. Price declines throughout the resale market in recent years have served to widen the gap in cost between existing and new housing. The cost advantage associated with the purchase of an existing home will continue to provide a competitive edge to the resale market. This, combined with lower interest rates, will boost provincial MLS sales to 1,725 units in 1996. Demand for existing homes will improve again in 1997, with MLS sales forecast at 1,775 units. The rise in sales activity next year will come in the second half, reflecting renewed confidence in the province's economic outlook. MLS sales in central Newfoundland are expected to remain stable, accounting for about five per cent of the provincial total. Increased sales of higher priced homes will support a modest rise in the average MLS house price in each of the next two years.

High vacancy rates to persist

Weakness in the economy, reductions in student enrollment and outmigration of Hibernia personnel will maintain vacancy rates at high levels

Residential MLS Sales NEWFOUNDLAND



SOURCE: Canadian Real Estate Association.
CMHC: Forecast.

in the St. John's region. New construction of two-apartment homes will contribute to further oversupply in the rental market and maintain fierce competition for larger projects. Accordingly, vacancy rates are forecast to remain in the 10 to 12 per cent range in 1996 and 1997. The competitive environment created by these conditions will force more landlords to lower rental rates or offer incentives. ■

Key Provincial Indicators NEWFOUNDLAND

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.2 | -2.0 | -1.5 |
| Employment (% Change) | 1.5 | -2.0 | -1.0 |
| Unemployment Rate (%) | 18.3 | 19.6 | 19.4 |
| Housing Starts (Units) | | | |
| Total | 1712 | 1575 | 1550 |
| Singles | 1165 | 1100 | 1050 |
| Multiples | 547 | 475 | 500 |
| MLS Sales (Units) | 1655 | 1725 | 1775 |
| Average MLS Price (Dollars) | 89525 | 90500 | 91000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Prince Edward Island



by Ralph Freeze

Highlights

- 1995 ends year with poor showing
- Bridge project dominates economy
- Housing sector stabilizes

Fourth quarter '95 maintains trend

The fourth quarter of 1995 turned out to be the continuation of an extremely quiet year for the housing industry. New home construction in the final months has been lower only twice in the past 25 years. The resale market had a similar experience with sales down by 20 per cent and a drop in average sale price of

\$5,000. One of the few positive points for 1995 was for housing starts in rural areas of P.E.I. A relatively strong rural economy kept new construction within sight of previous levels.

1996-97 Outlook

Bridge covers more than water

Bridge construction to the mainland will dominate the economic picture over the next two years. As in 1995, this project is expected to boost provincial figures, sometimes painting a distorted picture. For instance, the highest employment figures for P.E.I. are being quoted as a sign of health. But the greater Charlottetown area, representing close to one half the population, recently recorded twelve months of employment declines. This indicates that, in P.E.I.'s relatively small economy, the fixed link project is large enough to shadow other developments. When the project is completed in 1997, a void will be evident as employment drops and purchasing related to bridge construction ends.

Expansion of an aircraft service facility at Slemon Park will provide 100 new jobs in western P.E.I. The food park in Souris will begin construction this year. Once production begins, many jobs lost after the fish plant fire will be replaced. Although

this is good news, it represents replacement jobs rather than new growth.

The potato and tourism industries have had two record years in a row. Potato prices have dipped slightly and the probability of returning to previous highs during the forecast period is slim. Government restructuring will continue as consumer confidence struggles. A bright spot on the consumer front is recent wage settlements. Provincial government employees have negotiated an agreement which reverses pay reductions of 1994. However, this is another example of recovering lost ground.

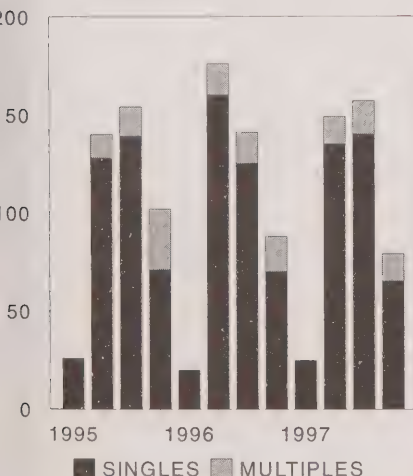
Roller coaster ride over

The forecast for new home construction in 1996 and 1997 reflects a stable market. This decade has seen the number of new homes bounce up and down between a high of 762 in 1990 and a low of 422 in 1995. Recession, bridge building, mortgage rate fluctuations and restructuring have given the market a steady string of confusing signals. Over the next two years, PEI can look forward to a more settled state.

Unfortunately, this stability and steadiness is occurring at a low point for home building. The fixed link project has reached peak employment. Government restructuring will continue, but the majority of changes affecting the next few years have already been announced. Consumer

Housing Starts PRINCE EDWARD ISLAND

(units)



SOURCE: CMHC.
1996-97 Forecast.

confidence is not robust, but should remain constant or improve slightly.

Record high vacancy rates in the rental market will not change over the forecast period. Construction of apartments will stay extremely low as increases in demand are not in sight. On the other hand, bridge construction workers will help to keep vacancies from increasing.

Single-detached home construction will remain weak in urban centres. Cutbacks and restructuring will have their greatest impact in the two cities. Rural areas will have another relatively strong showing, especially this year. Home building in rural communities often increases when potato prices weaken after a period of high returns. However, lower potato shipments are possible this year, especially with a record crop in storage.

House sales remain stable

The resale market is expected to perform very much like the new construction market. A slight improvement for 1996 will be followed in 1997 by a return to last year's sales level. An increase in sales this year comes from a combination of attractive mortgage rates and additional income derived from increased employment. Record high employment in 1995 and 1996 is providing a number of households with an opportunity to acquire a down payment.

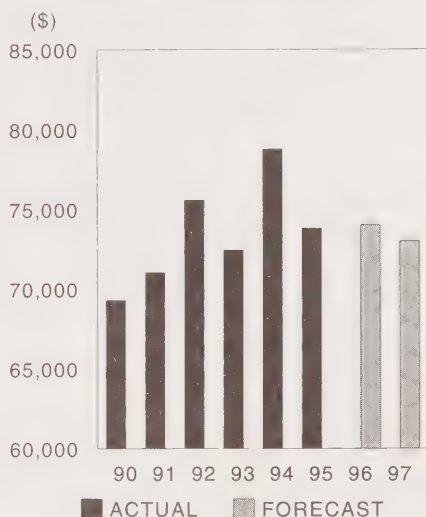
Completion of bridge construction next year will bring a reduction in employment. Although it has been known from the start that this was a five-year project, the significant loss of income and expenditures will affect demand for housing. Besides reducing sales, these circumstances are expected to result in more modest housing decisions.

Downward price pressures

The forecast of average sales price points to no change in 1996 and a slight decline in 1997. Low demand in a buyer's market continues to put downward pressure on house prices. Two factors will be at play: consumers will be buying less expensive homes than in the past, and actual prices of comparable homes will decline.

The move-up market is expected to remain weak. Reduced prices will lead some current owners to either wait for a change in the market or look to renovation as an alternative. Income insecurity will keep potential home buyers cautious and hesitant. Counterbalancing this for some fence-sitters will be favourable mortgage rates and house prices. ■

Residential MLS Sales PRINCE EDWARD ISLAND



SOURCE: Canadian Real Estate Association.
CMHC: Forecast.

Key Provincial Indicators PRINCE EDWARD ISLAND

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 2.6 | 1.5 | 0.5 |
| Employment (% Change) | 5.4 | 0.0 | -2.5 |
| Unemployment Rate (%) | 14.7 | 15.0 | 15.1 |
| Housing Starts (Units) | | | |
| Total | 422 | 425 | 410 |
| Singles | 364 | 375 | 365 |
| Multiples | 58 | 50 | 45 |
| MLS Sales (Units) | 476 | 500 | 480 |
| Average MLS Price (Dollars) | 73803 | 74000 | 73000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.



Nova Scotia

by André Moore and Sally Erskine Doucette

Highlights

- Conditions favourable for first-time buyers
- Lack of consumer confidence slows new construction
- Sales of existing housing encouraging
- Niche markets target consumer preferences

1995 Review

The stability of housing markets in Nova Scotia showed clearly again in 1995. While other areas of Canada were experiencing wide fluctuations in prices and volumes, significantly smaller movements were characteristic here. However, as in most housing markets across Canada, the

overall trend during the year was downward.

New construction of single-detached units in the province reached 4,168, a decline of 12 per cent. Urban single starts showed substantial declines outside Metro Halifax, while smaller towns and urban-fringe areas exhibited strength. This has occurred as wealthier and older households retreat from urban centres for a quieter, more accessible lifestyle. Semi-detached and row units had a strong share of the market, at 417 and 72 units respectively. These housing forms, which make efficient use of resources, continue to be affordable for consumers and viable for builders.

Many houses built "on spec" continue to sit empty due to weak demand. However, innovative and niche-marketed houses, such as R-2000 Healthy Homes, have been selling relatively quickly.

Apartment construction in 1995 was concentrated within Metro Halifax, mainly downtown and in Clayton Park. October 1995 vacancy rates increased in all urban centres of the province. This occurred due to continued excessive new construction and slow occupancy. Apartment units which were built or proposed in small centres focused on household niche markets, such as empty nesters (young seniors) and golden agers.

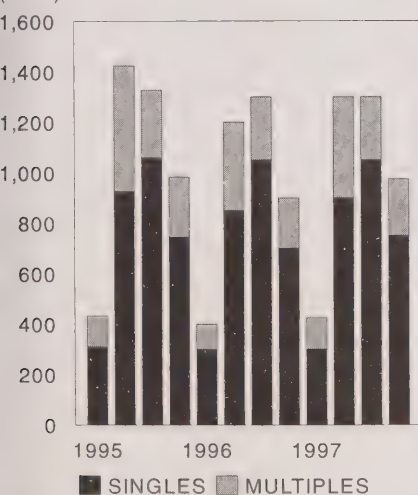
areas of the housing industry. Overall, a total of 7,019 houses were sold through MLS, a decline of two per cent. It should be noted that this represents activity well above average historical levels and that this is not necessarily sustainable given current economic and demographic realities.

While resale volumes continued to be high, prices were stable or declining. The composition of houses selling on MLS is changing. Although more high-priced houses are being listed, the majority of sales occurred in affordable price ranges, below \$100,000. The average sale price for Nova Scotia was \$89,788 in 1995, basically unchanged from 1994.

The renovation market benefited from the decision of many households to stay put in 1995. This was one of the most positive growth areas in the housing industry. Spending patterns, however, changed to reflect economic realities: Consumers preferred largely cosmetic and inexpensive projects, and spent when necessary on infrastructure renewal and maintenance. One key characteristic of the renovation market is that people are spending on do-it-yourself projects, or helping professional contractors in order to save money.

Housing Starts NOVA SCOTIA

(units)



SOURCE: CMHC.
1996-97 Forecast.

Resale volumes remain strong

The resale housing market performed well despite weaknesses in other

1996-97 Outlook

Nova Scotia is heading into a transition year. Consumers are playing a wait-and-see game. Households need to understand how and where they fit into the new economic order, and

what standard of living they will be able to sustain over the long term. Economic development is being delayed until public sector structures and directions become clear. In a province which has traditionally had a high level of dependence on public administration and transfer payments, the transition will take time to unfold.

The economic climate will directly affect the housing market as consumer confidence remains low. This factor is critical, as even those households with the means to make needed changes to their housing will either reduce exposure by buying down or completely put off major decisions until the future is more secure.

Job losses to affect prices

The Sydney housing market will be dramatically affected by 1,200 temporary layoffs at DEVCO, to be followed by 800 permanent layoffs. The economy is responding quickly with layoffs throughout the retail and service sectors. Undoubtedly, housing prices will decline sharply in an already slow market. The export of Cape Breton's best commodity, its youth, will continue.

Federal departmental cutbacks will result in several hundred job reductions across the province, while provincial fiscal measures will be announced in the spring budget. Both governments are expected to be fiscally responsible and to follow through on the general reductions already in force. In addition, other public sector job changes announced in 1995 will take effect in 1996 and will not be fully felt until well into the year.

Typically, Nova Scotia gains population through migration when the economy worsens elsewhere in Canada. This was the case in 1995. By the end of the third quarter, the net gain was more than 2,200 people. This trend is expected to continue throughout 1996 and to a lesser

Active Nova Scotia condo market targets move-up, move-down buyers

Recent research by CMHC shows that condominium buyers are only willing to spend between \$50,000 and \$150,000. This has important consequences for builders in the small but active condo market in Nova Scotia.

Metro Halifax accounts for the vast majority of projects, although there are also a few projects in smaller centres. Condo sales are concentrated in five areas of Metro. In descending order of sales activity, they are South End Halifax and Clayton Park/Rockingham (tied), Bedford, Creighton Park (Dartmouth), and Woodlawn (Dartmouth).

Condo sales in Halifax South End and Clayton Park/Rockingham, the most popular areas, appeal to different buyers. The South End attracts move-down buyers and professionals able to pay high end prices and wishing to be close to the downtown core. Clayton Park/Rockingham condo sales, in the lower price ranges, appeal to first time buyers and young professionals.

The condominium housing market in Metro Halifax accounts for 7,200 units in 206 buildings. There are some condominium corporations which are 100 per cent rental with one owner. Many projects have some portion of occupancy which is rental, although these units are individually owned.

One new condo project was built on the Bedford waterfront with 24 upscale units. Charterhouse on Spring Garden Road which continues to market two-year-old units, is 40 per cent sold. No new projects are planned in the province for 1996. It is yet to be seen if a component of the South Battery proposal will be aimed at the condo market.

In addition, part of the CentrePointe project was converted from rental to ownership, and first-time buyers were successfully targeted. Eighty per cent of the units put up for sale have sold. This success is owing partly to affordability and partly to the peninsula location. Royalty Court in Dartmouth also began converting occupancy to ownership from rental in 1995.

degree in 1997. The Canadian economy is not expected to recover to any great extent this year. The Ontario government brought in a severe budget in the fall, Quebec is likely to follow suit soon, and provinces in the west have made changes to eligibility for social assistance which may discourage people from leaving Nova Scotia or encourage some to return to this province where they have family supports.

However, this kind of in-migration is not expected to have a strong, positive effect on the housing market, as it would have in the past. It could instead lead to doubling up or overcrowding, or to lower rental vacancy rates.

Conditions good for buyers

For home buyers who are ready to move on, there are several incentives to buy, including low mortgage rates, low down payments, and low prices. However, it is expected that only 6,500 will take the plunge. This represents a decline in sales activity from 1995. Activity is expected to increase slightly in 1997.

Average sale prices for MLS are forecast to increase by one per cent across Nova Scotia during each of the next two years. The average resale price will be \$ 90,900 in 1996. Buyer's markets will prevail for the foreseeable future.

The concentration of sales activity in the affordable price ranges will continue. Higher priced houses, which have been slow to sell, will attract buyers from outside the

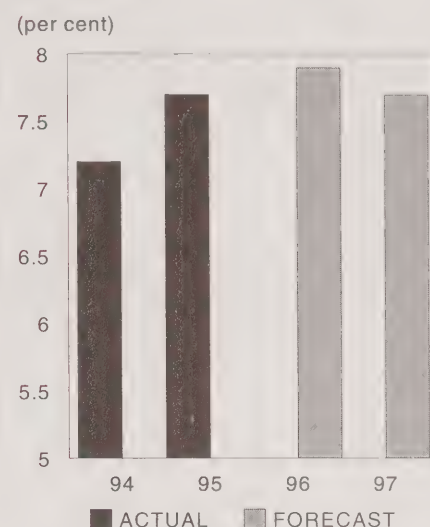
province, who recognize the value these properties represent.

New construction will decline, dipping below 4,000 in 1996, but will recover slightly in 1997. Starts of single-detached houses will continue to be relatively stable, although they will be lower in 1996 than in 1997.

Construction of multiples, primarily apartments, will decline the most. No publicly assisted housing was built in Nova Scotia in 1995, and none is planned for the future. Outside Metro Halifax, a few small projects (12 units) will be built or have been proposed. In addition, semi-detached houses will become more acceptable in the smaller urban areas as a result of their value and affordability.

The New House Price Index for Metro Halifax will increase slightly above inflation in the coming two years. Margins for builders remain tight because cost increases have out-paced market demand. ■

Halifax Vacancy Rate (3 units or more, privately initiated)



SOURCE: CMHC, October rental market survey.
1996-97 Forecast.

Key Provincial Indicators NOVA SCOTIA

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.2 | 0.9 | 1.0 |
| Employment (% Change) | 1.1 | 0.8 | 0.3 |
| Unemployment Rate (%) | 12.1 | 11.8 | 12.0 |
| Housing Starts (Units) | | | |
| Total | 4168 | 3800 | 4000 |
| Singles | 3040 | 2900 | 3000 |
| Multiples | 1128 | 900 | 1000 |
| MLS Sales (Units) | 7019 | 6500 | 6700 |
| Average MLS Price (Dollars) | 89788 | 90900 | 91800 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

New Brunswick

by Bruce Read and Laurie Gosselin



Highlights

- Slower economic growth expected
- Existing homes will maintain the edge
- Housebuilding will display only modest improvements
- Prices will remain soft

A difficult year for builders

Home builders in New Brunswick experienced a record-breaking downturn in 1995. Residential construction that began losing momentum in 1994 crashed through a 12-year low and fell to 2,300 from the 3,203 level in the previous year. Although activity

in the multi-family sector dropped by only 12 per cent, single family production plummeted by over 32 per cent.

Home buyers, who faced a tumultuous year of heightened job insecurity, could not be encouraged to commit to the purchase of a new home. While builders in the Moncton and Bathurst areas were able to boast an improvement over prior year levels, construction in Fredericton and Saint John fell by close to 40 per cent. But the rural residents of the province displayed the greatest hesitancy overall, as housing starts in the non-urban areas fell by 37 per cent.

More competitive pricing in the resale market kept realtors busy. Sales that began the year on a low note turned around by mid-year. Purchasers, hesitant to buy new homes, entered the existing market and drove sales up by 12 per cent in the third quarter. A fourth quarter improvement of more than 20 per cent over the 1994 level pushed annual sales up by 4.7 per cent by year end. Sales in all areas, with the exception of Saint John, were ahead of last year's levels. The Northern New Brunswick Real Estate Board led the charge with a 48 per cent increase.

slowdown in the service sector and a downturn in shipbuilding will put the reins on growth this year.

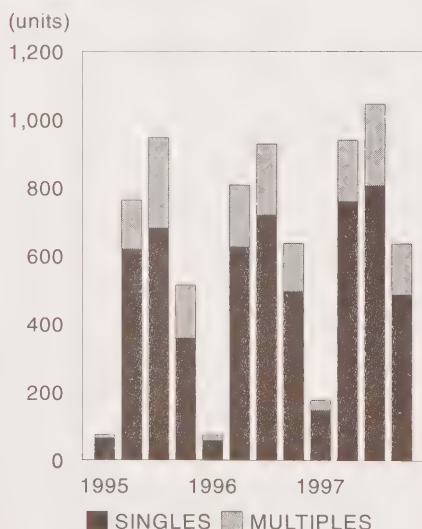
The forestry industry, the mainstay of the goods-producing sector, will again post a strong year. Although pulp prices appear to have topped out, the resulting decline in revenues will be slow. Tight international markets for newsprint, however, will push prices higher in the near term. The lumber industry will also improve over the outlook period, as residential construction in both Canada and the U.S. begins to recover.

Expansions and upgrades at most pulp and paper mills around the province will keep construction and forestry workers busy throughout the year. Among the larger active projects in 1996 will be the reopening of the Atholville mill, the construction of a thermal generating facility at the Frazer mill in Edmundston, and environmental work at the Irving mills in Saint John.

The prospects for the mining sector are similarly positive. Strong prices for zinc have led to the reopening of the East/West Caribou mine near Bathurst. The completion of the construction phase this year will lead to more than 300 new mining jobs for the area.

Shipbuilding, a mainstay of the Saint John economy, which has provided close to 4,000 jobs during peak operating times, is now facing the prospect of a total shutdown. Staff levels of 2,500 at the beginning of 1995 were down to between 1,000 and 1,200 at year end. Unless a much

Housing Starts NEW BRUNSWICK



SOURCE: CMHC.
1996-97 Forecast.

1996-97 Outlook

Moderating economic growth on the horizon

The welcome 2.3 per cent increase in economic growth in 1995 will not be repeated this year. Despite the good health of the resource industries, a

talked about contract for the production of six container ships materializes in the near future, activity at the dry docks will come to a standstill.

The service sector, which provides three out of every four jobs in the province, is struggling under the knife of public sector cutbacks. While tourism and telecommunications will continue to post good growth, public sector restraint will minimize gains and limit employment growth for the sector over the next few years.

Although exports bode well over the outlook period, domestic demand will be curtailed by lagging consumer confidence as a result of continuing job insecurity. Employment, which rose by 6,500 last year, will expand by a modest 4,000 this year. With a labour force that is forecast to increase by 5,000, the unemployment rate for 1996 will edge down to 11.4 per cent

Small gains to be had in the housing market

Those involved in the housing market can look forward to only small gains over the outlook period. Ongoing insecurity in the job market will keep demand low. Although the existing market will fare better than the new construction market, neither sector will reach its potential in 1996.

Markets that rely less on the public sector, such as those in Moncton and Bathurst, will start up sooner and record better growth throughout the year. Buyers in Saint John, where shipyard downsizing is a concern, and Fredericton residents facing public sector layoffs will be slow off the mark this spring.

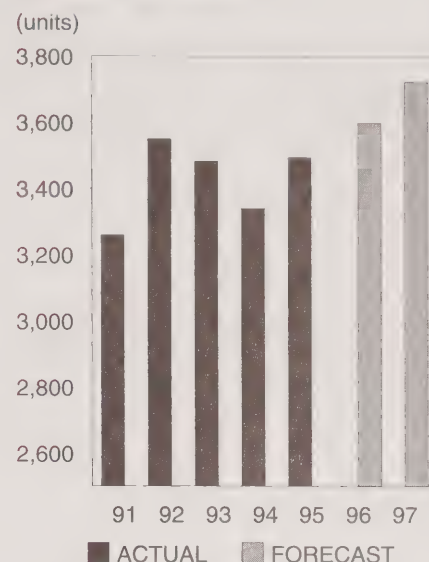
Falling mortgage rates will limit the impact of ailing consumer confidence. In a province that boasts some of the most affordable house prices in the country, lower mortgage rates will encourage some growth in sales. New home starts will begin to recover from a multi-year low. Single-

family starts, which reached 1,722 last year, will not break through the 2,000 mark this year but will inch up to the 2,200 level in 1997. The existing market showed good recovery in the second half of 1995 and will continue to improve over the outlook period. Sales, which reached 3,495 in the past year, will increase by 3.0 per cent this year and 3.5 per cent in 1997.

Prices for existing homes last year, which fell in all markets except Saint John, will remain weak in 1996. High inventories will hold prices down and lead to a decrease of 1.5 per cent from last year's level of \$83,993. It will not be until 1997 that the average price of homes selling in New Brunswick will rise above that level.

Fewer rental vacancies in combination with easing mortgage rates will keep activity in the multi-family construction market buoyant. Although no big gains are on the horizon, local developers will keep production levels at close to the 1995 level of 578. As the year proceeds and more renters opt for home ownership, vacancy rates in the rental market will drift higher. ■

Residential MLS Sales NEW BRUNSWICK



SOURCE: Canadian Real Estate Association
CMHC: Forecast.

Key Provincial Indicators NEW BRUNSWICK

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 2.3 | 1.9 | 1.7 |
| Employment (% Change) | 2.3 | 1.4 | 1.6 |
| Unemployment Rate (%) | 11.5 | 11.4 | 11.3 |
| Housing Starts (Units) | | | |
| Total | 2300 | 2450 | 2800 |
| Singles | 1722 | 1900 | 2400 |
| Multiples | 578 | 550 | 600 |
| MLS Sales (Units) | 3496 | 3600 | 3725 |
| Average MLS Price (Dollars) | 83993 | 82750 | 84750 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Quebec

by Kim-Anh Lam

Highlights

- The economy will grow only slowly
- Residential construction will remain at low levels
- The resale market has the best activity prospects

Residential construction up in the last quarter of 1995

In Quebec, the rise in residential construction in the last quarter of 1995 put an end to the series of declines registered in the five previous quarters. For this quarter, the number of housing starts stood at 21,400 at the seasonally adjusted annual rate (SAAR), representing an 11 per cent increase over the third quarter level. This improvement in construction is attributable to the sustained production of new housing in Quebec's rural areas.

The share of residential construction in Quebec's smaller municipalities was 28 per cent in 1995, compared with 20 per cent in 1994 and 15 per cent during the 1980s. Residential construction was more stable in smaller areas than in the large centres, where activity declined considerably as a result of uncertainty in the labour market and widespread streamlining in the private and public sectors. There was a considerable decline in housing construction

in Quebec's three large centres — Montréal, Québec and Hull.

For 1995, there were 21,885 housing starts, 37 per cent fewer than in the previous year. The decline was 42 per cent in urban areas, compared to only 27 per cent in rural areas.

The decline in activity extended to all residential housing. A few snags at the beginning of 1995 resulted in only 12,300 new single-detached houses, a 30 per cent decrease from the level attained in 1994. In addition, the sudden rise in interest rates early last year curbed first-time home buyer demand and there was a major decline (41 per cent) in the production of semi-detached and row houses.

Condominiums and rentals were hardest hit. Only 2,639 rental housing starts were recorded in Quebec's urban centres, another record low. This downturn in construction is gradually reducing vacant units in the new and existing rental markets. Vacancy rates went down in most of the large metropolitan areas. The October 1995 rate (6.3 per cent) was an improvement of 0.7 of a percentage point over the 1994 rate.

After a few years of meeting first-time buyer demand, the condominium market hit a road block in 1995. Developers initiated only 2,171 condominium units last year, a 60 per cent drop. Row housing projects did even worse, plummeting by 74 per cent. The absorption of new condominiums was sluggish, because of fierce competition from existing condominiums listed for sale.



Because many units were being offered for resale below their original purchase price, new projects understandably had difficulty in a market flooded with a wide range of affordable housing choices. Condominium owners in large cities are typically young professionals and retirees, who are more mobile than families with children. When demand is fueled very slowly because the number of these clients does not keep up with the large supply, the resale market becomes glutted.

Housing Starts QUEBEC

(units)

12,000

10,000

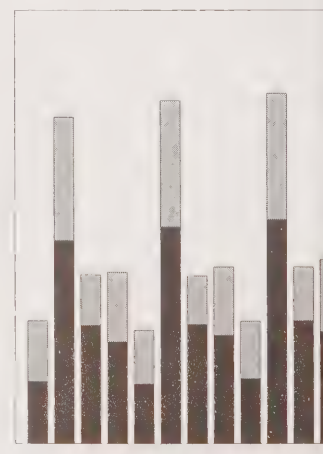
8,000

6,000

4,000

2,000

0



SOURCE: CMHC.
1996-97 Forecast.

1996-97 Outlook

More consolidation ahead for home building in 1996

Housing construction will reach practically the same level over the next two years as it attained in 1995: 22,000 starts in 1996 (an increase of 1.4 per cent) and 23,100 starts in 1997 (an increase of 4.1 per cent). This forecast reflects current surpluses in the new home market, the economic environment, and demographic trends. First, residential construction depends on a recovery in single-family home building, which now accounts for 75 per cent of all new construction. When there are surpluses of both rental and condominium housing units, these two market segments can contribute little.

The second factor underlying the forecast is the expectation of very slow economic growth. The key element is anxious consumers who perceive that employment prospects are difficult and who have become

reluctant to spend. The low level of consumer confidence in the economy is reflected not only in big ticket items such as car and home sales but also in retail sales (down by 1 per cent last year). Of course, deficit-cutting measures taken by all levels of government are also fueling consumer uncertainty.

A positive element is the U.S. economy: it is expected to do well this year, and its performance could improve Quebec's outlook. The economy of the province is increasingly dependent on the export market: In 1995, 35 per cent of Quebec's total production was intended for this market, compared to an average of 20 per cent during the last 10 years. Overall, provincial growth measured by the GDP should post increases of 1.7 per cent in 1996 and 1.4 per cent in 1997.

The labour market is relying more and more on new jobs in small businesses, but these are hardly enough to offset the layoffs in the large private and public organizations. Employment is expected to grow by 1.3 per cent in 1996 and 1 per cent in 1997. This is slightly lower than last year, when it increased by 1.4 per cent.

Demography is another key driver of the housing market. Major demographic trends that have stimulated this market in recent years have been international immigration and inter-provincial migration. Since 1994, however, with a more unstable economic climate, the province's annual migratory balance has dropped to under 5,000 persons, far fewer than the 20,000 net annual population gain during the late 1980s. For 1996 and 1997, Quebec's migratory balance should pick up again, to a net gain of between 6,000 and 8,000. However, this is expected to be the result of an additional influx of temporary nationals and immigrants, and should therefore benefit the rental market primarily.

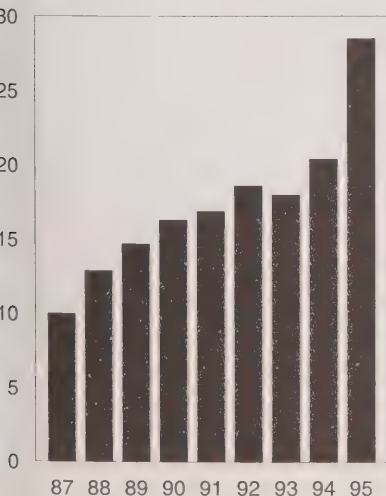
Lower interest rates and greater resale activity will bring more buyers to the new home market. Single-family housing construction could improve slightly in early 1996. There should be a 4 per cent increase in single-detached home building to 13,950 starts in 1996 and a further rise to 14,500 units in 1997. With little cash and the prospect of weak income gains, however, buyers will continue to opt for less expensive homes. The momentum on the resale market should bring about a gradual return of move-up buyers to the market, but home owners who do move will be looking for smaller, more functional homes to meet changing needs. There is no prospect for a comeback in luxury homes, such as there was in the late 1980s. Those days seem to be over for the next few years.

Rising resale activity but stable prices

One market that will be dynamic over the next few years is the resale market. It was the first to benefit from the declining mortgage rates last year, so that the number of transactions decreased by only 11 per cent, a smaller decline than in the new home market. The considerable gap between existing and new home selling prices worked in favour of existing homes. The difference between the average price of a new home and an existing home in Quebec was about \$20,000, and the gap seems to be getting wider. The number of sales through the MLS will rise by 10 per cent in 1996, making for a larger gain than for new homes. The abundance of houses for sale and the competition between new and existing homes will keep prices very competitive. For the eighth year in a row, the average price will not exceed its current level of \$100,000. A buyer's market will therefore favour future home owners, but vendors will also benefit

The Growing Share of Rural Area Residential Development QUEBEC

(percentage)



SOURCE: CMHC.

from the increase in activity on the market this spring, and more of them will finally be able to sell their homes.

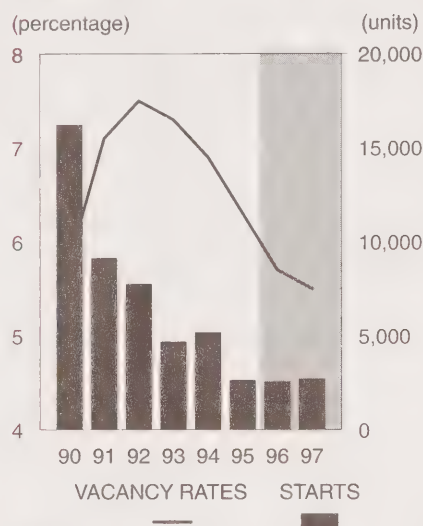
The condominium resale market is still quite glutted in the two large areas of Montréal and Québec, and the forecast for new projects is gloomier as a result. Most condominiums were priced at under \$100,000, and most are in medium-density projects. (There were fewer than 50 units in 80 per cent of projects in 1995.)

These condominiums meet two essential requirements: they give clients what they want and they minimize risks for developers. Fewer than 2,000 condominium units are forecast for 1996 and 1997. This level is clearly below the annual average of 5,000 units over the last five years.

The rental market in urban centres could generate 2,550 units in 1996 (a drop of 3.4 per cent from last year) and another 2,700 units in 1997 (an annual increase of 5.9 per cent). This market segment will at least benefit from a slightly higher demand for rental housing. Rental market conditions are improving slowly: the vacancy rate will be 5.7 per cent in

October 1996 and 5.5 per cent in October 1997. No major investments can be anticipated with these high rates. As well, upward pressure on rents will remain very weak. As a result, rental increases will be under 1.5 per cent in 1996, a level again lower than the expected inflation rate of 2.1 per cent. ■

Rental Housing Vacancy Rates and Starts QUEBEC



SOURCE: CMHC.
1996-97 Forecast.

Key Provincial Indicators QUEBEC

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.5 | 1.7 | 1.4 |
| Employment (% Change) | 1.5 | 1.3 | 1.0 |
| Unemployment Rate (%) | 11.3 | 10.9 | 10.9 |
| Housing Starts (Units) | | | |
| Total | 21885 | 22200 | 23100 |
| Singles | 13428 | 13950 | 14500 |
| Multiples | 8457 | 8250 | 8600 |
| MLS Sales (Units) | 29824 | 33500 | 33500 |
| Average MLS Price (Dollars) | 98837 | 100000 | 101000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Ontario

by Alex Medow and Dallard Runge



Highlights

- 1995 home starts at 43 year low
- Soft prices and affordable mortgage rate offer home-buying opportunities
- Slow economy with sluggish 1996-97 home markets
- Jobs will explain local market strength

Year-end 1995

Improved environment for first-time home buyers

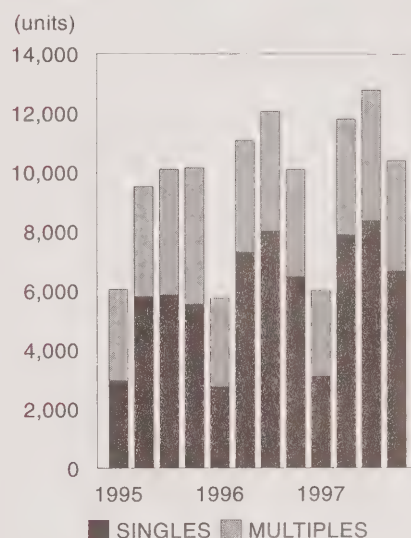
Despite its vast demographic potential, Ontario has suffered from a lack of consumer spending, largely because jobs are not being created, especially for younger families. This, along with already high household debt and the erosion of purchasing power as a result of wage increases below the rate of inflation, has restrained housing demand. Pending government and private sector job cutbacks have also kept consumers edgy. Retail sales were stalled throughout 1995, and Ontario's fourth quarter 1995 Index of Consumer Attitudes dropped to the lowest level in two and a half years.

Low mortgage rates and job growth at the end of last year firmed up housing demand, but too little and too late to prevent Ontario home construction from plummeting to a 43-year low. The 35,818 home starts for the year were the lowest number since 1952. However, a fourth quarter spurt in home starts has set the stage for better performance in 1996.

Ontario's fourth quarter seasonally adjusted annual rate (SAAR) of home starts picked up by 13.6 per cent, to 38,300 from 33,300 in the third quarter. Both single and multiple family home construction increased. Home starts at the end of 1995 were boosted by condominium activity in Toronto and jumped much more in Ontario than elsewhere in Canada.

Prices for new homes remained soft. Year-end New Home Price Index inflation edged down or stayed flat in seven of Ontario's eight largest metropolitan areas. The exception was Windsor, one of the top ten destinations for persons relocating within Canada or moving to Canada. Over the last several years, auto sector activity, casino-related activity and construction have led to a strong demand for single-detached homes and nudged land prices higher.

Housing Starts ONTARIO



SOURCE: CMHC.
1996-97 Forecast.

1996-97 Outlook

Slow job growth points to modest increases in housing activity

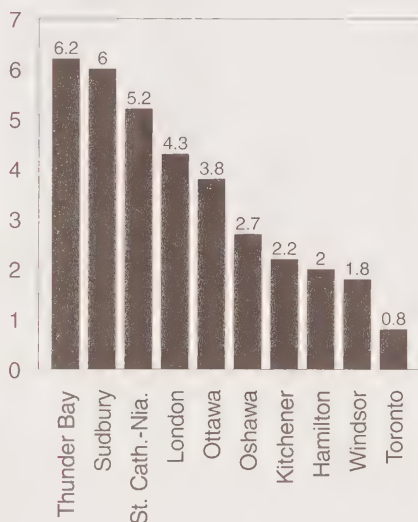
Fiscal tightening in Ontario as a result of substantial provincial, municipal and federal spending reductions throughout this year and next will act as an economic drag and hold back growth in consumer spending and jobs. Private sector job creation, mostly in manufacturing, wholesale and retail trade and in the primary industries, will offset government job

losses. Nevertheless, the pace of economic expansion will slow this year before picking up again in 1997. Increasing exports will boost the goods producing industries, but more so in 1997, when economic growth picks up in the United States, Europe and Japan.

Net migration to the province will be moderately strong over the next couple of years, mostly a result of high immigration from outside Canada. Over half of Canada's immigrants come to Ontario because of its established social and ethnic networks.

Migration-lowered vacancy rates within commuting distance of Toronto

(percentage)



SOURCE: CMHC, The October Survey.

Most of these choose to settle within commuting distance of Toronto, initially putting pressure on vacancy rates. The accompanying graphic shows the low vacancy rates in centres close to Toronto. A small inflow of residents from other parts of Canada is also anticipated.

Migration will hike Ontario's population more than the natural increase (births minus deaths). However, migrants tend to occupy rental first and move to ownership later.

They need several years to become established and hence generate a lagged demand for housing.

Low carrying costs will boost home ownership demand

Affordable mortgage carrying costs, as a result of low interest rates, will nudge Ontario's home markets up. Countering this, poor labour market conditions and slow job growth will keep the rise in resales to a minimum and new home price increases will be below the rate of inflation.

Modest increases in housing starts are anticipated over the next two years. Single home starts will grow the most. Stronger 1996 sales will clear out a modest inventory of completed and unoccupied single-detached homes. Higher mortgage rates in 1997 will slow the pace of growth for single-detached starts. Multiple starts will dip in 1996, as assisted rental construction drops off to a trickle. Falling vacancy rates will stimulate private rental construction this year and next, but not enough to offset the reduction in assisted housing activity. Condominium construction will edge up. In Toronto, new condominium projects will compete with former industrial and office units converted to condos.

At this stage of the housing cycle, first-time buyers offer builders in the ownership market the most potential business. With mortgage rates down, more first-time buyers can consider affordable new homes. Slight increases in new private sector row houses, townhouses and condominiums are anticipated in 1997 as renters turn to cost-competitive home ownership options. The challenge to new-home builders is to develop homes that appeal to first-time buyers.

Housing markets will perform differently across Ontario. The centres with stronger job growth will have larger increases in home construction activity. For example, sizable

Who are first-time buyers?

First-time buyers tend to be younger than the average home purchaser, and sensitive to financing arrangements and borrowing costs. They also tend to favour resale homes. The eligibility of RRSP funds for home purchases, Ontario's Home Ownership Savings Plan and the federal First Home Loan Insurance (FHLI) program have combined with lower mortgage rates to bring first-time buyers out in force. In 1995, CMHC insured a record number of five per cent down FHLI loans in Ontario. Of the over 37,600 FHLI loans insured by CMHC, 88 per cent were for purchases of resale homes.

First-time buyers are generally older than in the past and have fewer children. More are immigrants, who tend to prefer homes with a larger than average numbers of rooms. As a result, first-time buyer behaviour has changed in the last ten years. Ontario's prohibitively expensive home prices of the late 1980s kept many potential first-time buyers out of the market, and these are only now purchasing their first home. First-time home buyers have now shifted to purchasing more affordable forms of housing. Fewer are buying single-detached homes and more are purchasing condominiums, town homes or row housing.

Move-up purchasing has been slow, even though conditions for moving up are very good, with low mortgage rates and lower move-up home prices. Potential move-up buyers have hesitated, especially when faced with the prospect of getting a lower price for their existing home than they originally paid.

increases in 1996 home starts are expected in Hamilton, Kitchener, London, Oshawa, St. Catharines, Thunder Bay and Windsor. With the exception of London, job growth for these centres is expected to be faster than the Ontario average. Auto sector exports and growth in the high technology and information service industries will increase the number of jobs in Kitchener. Oshawa's employment will rise with an increase in the flow of commuters. A more stable job market with stronger consumer confidence is expected in Hamilton and the St. Catharines-Niagara area. Windsor's jobs will be in manufacturing and construction projects.

Ottawa, Sudbury and Toronto home starts are predicted to edge down in 1996. Large losses of federal, provincial and municipal jobs, including jobs in education and health care, are expected in these centres. With the resulting uncertainty

about job security, residents of these centres will be cautious in purchasing big ticket items, especially homes.

Vacancy rates are still high in most of Ontario, with the exception of Windsor and the metropolitan centres close to Toronto. In Toronto, where the vacancy rate is lowest, it is not

clear whether rental income could cover construction and operating costs of new rental units. Vacancy rate declines are predicted for most of Ontario's major metropolitan areas. The lowest 1997 rates are forecast for Toronto and Windsor, with Hamilton and Oshawa following close behind. ■

Key Provincial Indicators

ONTARIO

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 2.5 | 2.0 | 2.7 |
| Employment (% Change) | 1.4 | 0.8 | 1.3 |
| Unemployment Rate (%) | 8.7 | 8.6 | 8.4 |
| Housing Starts (Units) | | | |
| Total | 35818 | 39000 | 41000 |
| Singles | 20124 | 24500 | 26000 |
| Multiples | 15694 | 14500 | 15000 |
| MLS Sales (Units) | 115501 | 120000 | 120000 |
| Average MLS Price (Dollars) | 155003 | 157000 | 159000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

IMMIGRANT DEMAND FOR HOUSING: IS IT OVERSTATED?

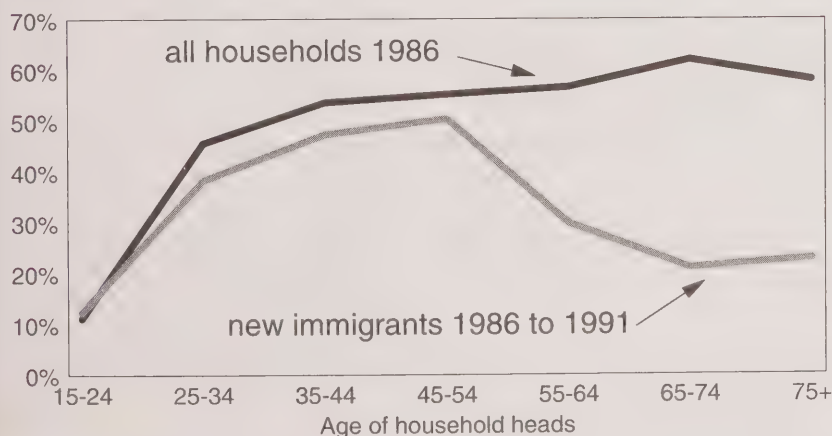
In housing analysis, demographic models are used to study changes in the characteristics of a population's

different age groups, in order to gauge the impact on household formation and housing demand. The

models generally begin with the assumption that people in the future will make choices much like those made in the recent past; for instance, that young people will form households at the same age, buy homes at the same age, and choose the same types of homes as people did in the past.

Newly arrived immigrants form fewer households especially among older age groups

Proportion of persons who are heads of households



SOURCE: CMHC.

Lower initial requirements

This approach to projecting housing requirements may overestimate the demand for housing when current choices do not conform with past ones. That has been the case in the 1980s and the early 1990s. During that period, each group of young people decreased its rate of household formation. Each succeeding group has left home later and formed fewer

households per capita than the previous group for economic and life-style reasons. This decrease in the proportion of persons who became household heads is a major reversal of an earlier trend which extended for over fifty years.

A more recent issue is whether demographic models correctly reflect the demand from new immigrants for housing or whether they overstate that demand. Immigrants are assumed in the models to behave just like the population that is already living here. However, immigrants are playing an increasingly important role in household formation because of their large and sustained numbers. This important role is well illustrated by the fact that immigrants headed 125,730 of the 416,635 households formed in Ontario between 1986 and 1991.

Using the standard approach, we would have projected 157,750 immigrant-headed households — about 32,000 more households than were actually reported in the 1991 census. The housing requirement forecast for new migrants would have been about 25 per cent greater than that which occurred. This represents about 6,400 fewer housing units each year from 1986 to 1991.

To explain the overestimation of immigrant demand produced by our model of housing requirements, we obtained from Statistics Canada the age structure of migrants and the age structure of migrants who were household heads. From this, we calculated the headship rates for migrants and compared them to those of the general population. The chart shows this comparison. Except for the youngest age group, where very few households are formed, headship rates for migrants were lower for each age group. This was especially true for migrants over the age of 54. This group accounts for about 35 per cent of the overestimation of immigrant requirements. Many of these people

never form independent households because they come to live with family members.

In fact, for each 100,000 immigrants to Ontario between 1986 and 1991, total household formation was 23,442. This compares with 36,664 for all the Ontario population. This shortfall reflects both the lower propensity to form households and the different age structure of the immigrant population.

The longer immigrants remain in Canada, the more they increase their rate of household formation. Those immigrants with more than 30 years' residency have household formation rates seven per cent higher than those of households headed by people born in Canada. Thus, the long term effects of immigration are positive for residential construction. As successive groups of immigrants move into Canadian society, their propensity to form households increases and this offsets the lower headship rates of new immigrants. The net impact at any given time will depend on the relative size of those two forces.

Immigrant tenure requirements also differ

Housing demand from new immigrants differs in one other significant way from that of the average Ontario household. Immigrants are more likely to rent. The table illustrates the number of households that would be formed by 100,000 new immigrants, compared to the average for Ontario. The total demand for immigrants is lower than the average, and the proportion to own is less than half the average.

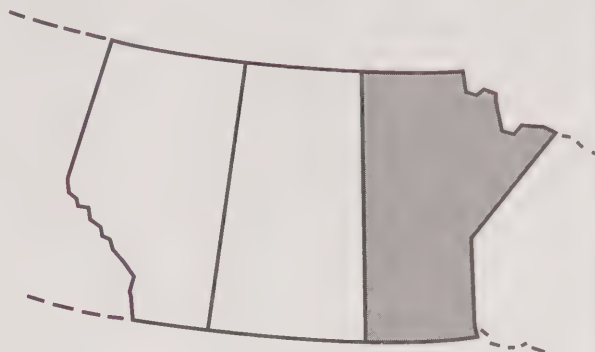
At the same time, because a larger proportion of immigrants rent, the flow of immigrants over the last half decade may have helped sustain rental demand. This has happened at a time when the traditional demand from young adults was especially weak as a result of demographic, economic and social factors. ■

Housing demand per 100,000 people, Ontario

| | Ownership | | Rental | | Total |
|---|-----------|-----|--------|-----|-------|
| New immigrants in Canada less than five years | 7002 | 30% | 16440 | 70% | 23442 |
| Ontario all household average | 23560 | 64% | 13104 | 36% | 36664 |

Manitoba

by Richard Goatcher



Highlights

- Weak recovery in new construction
- Resale prices come back
- Consumers remain cautious

1995 a dismal year for builders

Manitoba's house builders experienced one of the worst years on record in 1995, with starts dropping by almost 40 per cent from the previous year. Not since the recession of 1991 has new construction failed to reach the 2,000 unit mark. Activity in the fourth quarter gave little room for

optimism, as the high inventory of unsold new homes in Winnipeg made any resurgence unlikely during the early months of 1996.

Although resale markets fared slightly better than new construction last year, they also fell below 1994 levels. Sales of existing homes dropped by 10 per cent and average prices dipped below the \$82,000 mark. Resales slowed further in the fourth quarter as average prices continued to slip. Bitterly cold weather in January got 1996 activity off to a slow start.

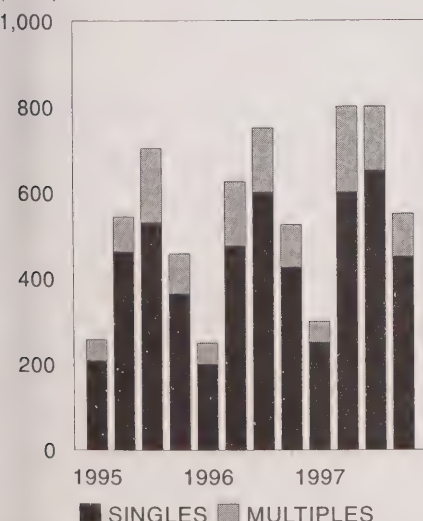
Production of multiple units dropped substantially in 1995, especially in the rural areas. The rental market in Winnipeg continued to see gradual improvement, with apartment vacancies inching lower in the October survey. Apartment vacancies in Manitoba's other major centres either remained the same as in October 1994 or declined.

expenditures by businesses allied with agriculture in both Brandon and Portage la Prairie. Machinery and transportation equipment will help sustain exports, but levels will not match last year's heady pace. Manufacturers will continue to invest in capital and equipment, but expectations have lessened, particularly with respect to trade south of the border. Resource industries associated with minerals and forestry are also expected to see good numbers, but sales growth will be down from 1994 levels. Job creation will come from the pharmaceutical industries, communications, food processing, business and personal services.

While the private sector continues to bolster the economy, government spending cuts will restrain overall growth levels. Cutbacks in health care, education and other public services, as well as the prospect of higher taxes and user fees, will limit disposable incomes. Consumers are expected to remain cautious as a result of high debt levels, weak job growth and continued political uncertainty. Chronically high levels of job insecurity and weakened income gains dampen the prospects for consumer spending this year. While overall retail sales improved last year, demand for big-ticket items like cars and new homes is not expected to change dramatically during the first half of 1996.

Housing Starts MANITOBA

(units)



SOURCE: CMHC.
1996-97 Forecast.

1996-97 Outlook

Slower economic growth in 1996

Following two years of moderate economic growth, Manitoba's recovery will slow in 1996. While agricultural output will experience another good year, the elimination of the Crow benefit (Western Grain Transport Subsidy) will cause considerable uncertainty in rural areas. This will be offset by major capital

Interest rates and affordability to lift housing markets

While resale house prices are expected to rebound in 1996, housing will remain affordable because of the countering effect of lower mortgage rates. Overall, the average income required to purchase a typical resale house in Manitoba will remain largely unchanged this year. Resales will experience a slight comeback, but total sales will remain below levels seen in 1993 and 1994. Following a drop of just over 2 per cent last year, average resale prices will inch back up to the \$83,000 mark. Increased sales of trade-up homes will help boost prices, but they will not exceed 1994 levels until the following year. While prices will remain affordable, the lack of real growth in homeowner equity will be a disincentive to many builders.

New house construction will experience only modest gains in 1996 because there is an oversupply of inventory in the Winnipeg market. Spec building during the latter stages of 1994 resulted in a dramatic run-up in unabsorbed units. Despite incentives from builders and the provincial government, sales were weak last year and margins nonexistent. As builders try to sell off existing stock, any recovery will be delayed until well into the second quarter.

During the late 1980s, well over 70 per cent of the province's single starts occurred within the boundaries of the Winnipeg CMA. In the 1990s, this proportion has slipped to just over 60 per cent as cost-conscious new home buyers have been willing to trade longer commuting distances for cheaper land and lower property taxes. In Winnipeg, singles activity in 1996 will fail to reach 1,000 units for the second year running. Overall production of singles in the province will increase by less than 150 units in 1996, although this translates into an 8.7 per cent gain over last year's

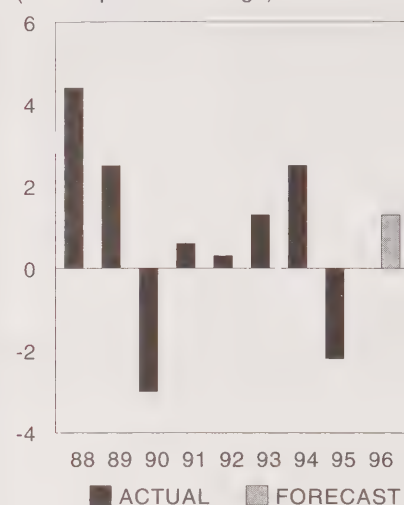
relatively low levels. In 1997, singles will increase by a wider margin but will still remain below the 2,000 unit level.

There will be upward movement in multiple unit activity in 1996, but overall numbers will remain well below the glory days of the mid-1980s. New apartment construction will concentrate on the seniors condominium market in Winnipeg and Brandon. Some life-lease rentals, also targeted at seniors, will be added to the mix as well. However, with overall apartment vacancies in Winnipeg averaging above 5 per cent in 1996, rent increases will remain below inflation. New private rental construction is hobbled by the substantial gap between market rents for new units and the economic rents required to make them viable. As such, new rental construction will typically occur in Winnipeg only under life-lease arrangements, in which the future occupants contribute a large amount of equity into the financing of the building.

The continued dearth of new rentals will help lower Winnipeg's vacancy rate into 1997. City-wide vacancy rates will drop from 5.4 per cent in October 1995 to below 5 per cent by October 1997. Vacancy rates are lowest in the newer buildings, but many of these structures are being

Average Residential Price MANITOBA

(annual per cent change)



SOURCE: Canadian Real Estate Association.
CMHC: Forecast.

converted to condominiums and leaving the rental stock at a steady pace. Vacancies in Winnipeg's older rental stock tend to be higher, and the conversion of newer buildings has slowed the decline in overall vacancy rates. This trend will moderate in the coming years as much of the newer stock gets converted to condominium tenure. The scarcity of better-quality rentals, typically ripe for conversion, will increase opportunities for new condo development as the decade winds down. ■

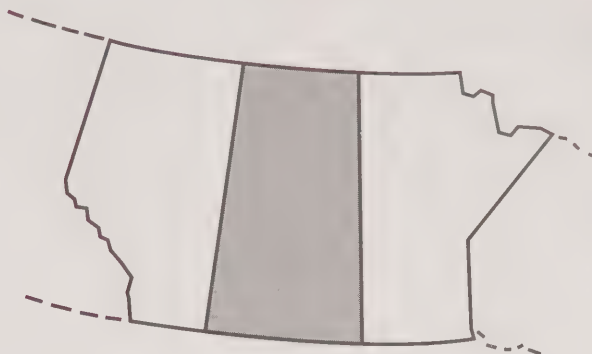
Key Provincial Indicators MANITOBA

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 2.5 | 2.0 | 2.2 |
| Employment (% Change) | 2.0 | 1.3 | 1.3 |
| Unemployment Rate (%) | 7.5 | 7.0 | 7.0 |
| Housing Starts (Units) | | | |
| Total | 1963 | 2150 | 2450 |
| Singles | 1564 | 1700 | 1950 |
| Multiples | 399 | 450 | 500 |
| MLS Sales (Units) | 9749 | 10000 | 10150 |
| Average MLS Price (Dollars) | 81897 | 83000 | 84000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Saskatchewan

by Paul Caton and Todd Selby



Highlights

- Strong economic growth expected
- Rental market firm
- Resale supply remains low

1995 Overview

Saskatchewan housing markets saw a mixed performance in 1995. There were almost 20 per cent fewer housing starts than in 1994. The potential for higher volumes is limited because new home construction remains restricted to move-up households. The resale market suffers from a lack of supply, but steady demand prevails

and average prices are rising. A limited supply in some of the more popular city neighbourhoods has resulted in the rapid sale of homes, creating seller's markets in these areas. Vacancy rates have fallen in almost all centres in response to migration of lower-income households from rural areas and other provinces. Rents have begun to rise, although not to the level required to stimulate new rental construction.

Notwithstanding positive economic factors, such as a modest increase in GDP and rising retail sales, there has been little job growth. Further, though provincial unemployment rates are the lowest in Canada, the unemployment rate in the major centres is relatively high and welfare rolls are swelling. The lack of job growth has been most prevalent among the younger people in the province. This has slowed expansion in the number of potential buyers among young households and has limited the market for new house construction primarily to move-up buyers.

driven, mainly from strong agriculture, mining, forestry, and oil and gas activity. Unfortunately, employment will continue its lacklustre performance and unemployment will remain almost constant. Most new jobs created will be in retail trade and other service sector areas. As jobs in these sectors tend to yield lower incomes, the impact on housing demand will be most evident in the rental market. However, some of these jobs will bring second incomes to households, which can then consider buying homes. This will result in a modest increase in demand from first-time home buyers.

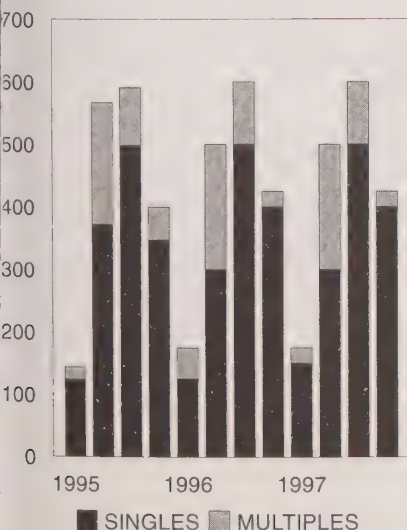
Further adding to the pressures on provincial housing markets, relatively slow economies in other provinces will hold migration at current levels and rural-urban migration will increase, as young people and seniors move to the province's cities seeking jobs, education and services.

Saskatchewan agricultural products are enjoying positive market conditions. Rising world prices have partially offset the withdrawal of government subsidies. Already, there are signs that value-added manufacturing opportunities are being found, promising more manufacturing jobs in the future. Farm debt and bankruptcy will continue to fall but farms will increase in size and the number of agricultural jobs will shrink.

World demand for potash is expected to remain at current levels in 1996. Oil and gas exploration will

Housing Starts SASKATCHEWAN

(units)



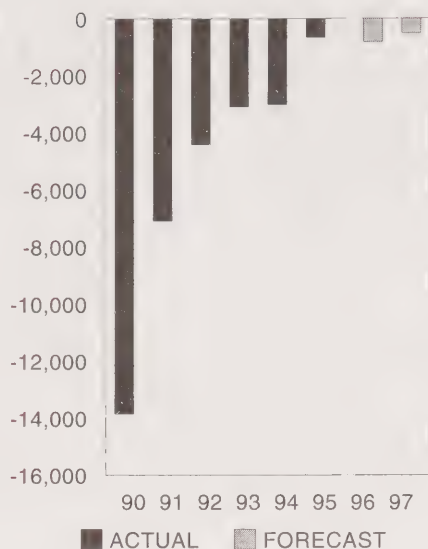
SOURCE: CMHC.
1996-97 Forecast.

1996 -97 Outlook

Export-driven growth expected

In 1996 and 1997, Saskatchewan's economy will grow at higher rates than in 1995. Growth will be export-

Total Net Migration SASKATCHEWAN



SOURCE: Statistics Canada.
CMHC: forecast.

begin to slow in 1996. Forestry enjoyed a resurgence over the past two years, but has peaked. Pulp and paper prices, which reached record levels in 1995, will begin to moderate this year, but will remain well above 1994 levels. As a result, the pulp and paper industry in Saskatchewan will remain healthy, but expansion will no longer be expected.

Rental activity to be heavy

Rental markets will be hard pressed to meet demand generated by migration from rural areas and other provinces. These new households are mainly lower-income, requiring rental or affordable resale housing. Transitory workers, students and other non-permanent households also require rental housing. Low vacancy rates will increase average rents in most centres. Notwithstanding the scarcity of rental housing and prospects of higher rents, developers are hesitant to build new rental stock until investment returns are proven

sufficient to support construction and financing costs.

Resale market shrinking

Resale markets will remain supply-driven in 1996 and 1997. Under normal circumstances, young rental households faced with rising rents would turn to low-priced existing homes. However, resale markets have been depleted by steady demand from first-time home buyers, and this is reflected by a reduction in new listings. Resale listings in the province have fallen by almost 14 per cent since 1993 and more than 6 per cent since 1994. Shrinking supply and steady demand will stimulate further price increases. The average price of resale housing in the province rose by 1.5 per cent in 1995 and is expected to rise another 1.5 to 2 per cent in 1996. This price movement will convince many homeowners that 1996 is the right time right to sell and will result in a modest increase in the supply of homes for sale in the province.

Saskatchewan's new housing construction market has in recent years been restricted to move-up buyers. Builders are attempting to respond to new demand from starter home buyers, but there is a limited

amounted of land suitable for lower-priced homes. Rising resale prices are closing the gap between newly built and existing housing. This promises to increase the share of new starter homes in the future. New housing construction in rural Saskatchewan has slowed in response to rural-urban population shifts. With agricultural employment expected to stabilize in 1996, rural construction in the province will remain at or near 1995 levels. The drive to build condominium housing will continue in 1996 and 1997. Builders are closely monitoring the supply of completed and unoccupied condominiums, and new construction will slow to reflect lagging sales. Despite this, a number of new projects have already begun in 1996 in response to demand from empty-nesters and retirees for maintenance-free homes. ■

Key Provincial Indicators SASKATCHEWAN

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.9 | 2.7 | 2.1 |
| Employment (% Change) | 0.7 | 1.7 | 1.1 |
| Unemployment Rate (%) | 6.9 | 6.2 | 6.0 |
| Housing Starts (Units) | | | |
| Total | 1702 | 1700 | 1700 |
| Singles | 1341 | 1325 | 1350 |
| Multiples | 361 | 375 | 350 |
| MLS Sales (Units) | 7349 | 7375 | 7500 |
| Average MLS Price (Dollars) | 73796 | 75000 | 76000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Alberta

by Laurie Scott and Karla Spilsted



Highlights

- Economy maintains status quo
- Lower mortgage rates to fuel sales in 1996
- High inventories slow multi-family starts

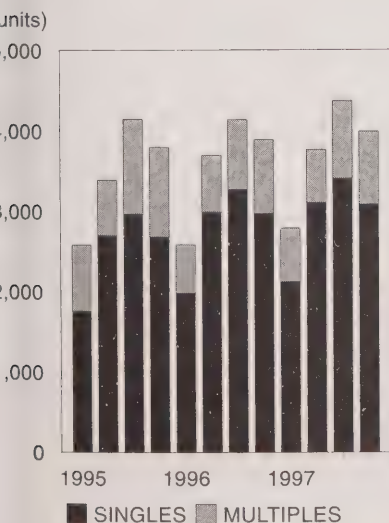
Housing markets fail to rally in fourth quarter

Alberta followed the national slow-down in housing markets in 1995. Residential construction across the province dropped 21 per cent, to the lowest level since 1991.

Home sales declined in response to higher and more volatile interest rates, a slower economy, and higher inventories in some centres. Employ-

Housing Starts

ALBERTA



SOURCE: CMHC.
1996-97 Forecast.

ment uncertainty created by restructuring and cutbacks reduced consumer spending, particularly for housing. Even falling interest rates during the fourth quarter failed to revive sales.

Alberta's economy has been adjusting to significant provincial government spending cuts and public sector layoffs. Edmonton, which has taken the brunt of the downsizing, for the second year in a row saw a substantial decline in activity, with housing starts down by 38 per cent. Calgary fared better, with demand underpinned by corporate relocation and positive net migration. An oversupply of condominiums in both centres dampened multiple-family starts throughout the year. Southern communities, however, demonstrated considerable interest in new multi-family projects during the fourth quarter.

Resale markets finally turned the corner in the second half of the year. Slow sales and high inventories had kept price increases in check, and in some cases even produced price declines. In rental markets, performance varied throughout the province. While rising migration was key to lower rates in Calgary, outflows left Edmonton in double digit vacancies for the entire year. In smaller centres, rental markets saw vacancies declining in most cases. The lowest vacancy rates in the province are in Brooks, where expansion has brought new tenants into the market, and Grande Prairie.

1996-97 Outlook

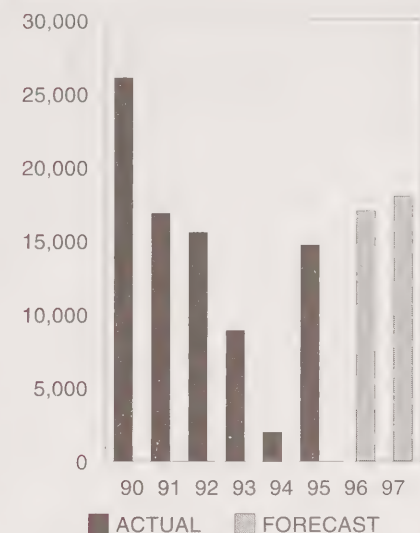
Economy to grow marginally for the next two years

After two years of relatively strong growth, Alberta's economy stalled slightly in 1995. Despite the slow-down, the province still managed to turn in one of the best growth rates in the country. Our forecast suggests only modest improvement as some sectors surge ahead while others remain stagnant. As a result, GDP will expand by 2.5 and 2.6 per cent over the next two years.

A lower Canadian dollar and a stronger U.S. economy will continue to support strong export growth and manufacturing. A surprising performer is the agricultural sector. Last year, for the first time ever, Alberta boasted the highest farm cash receipts of any province. Strong grain prices will continue to support rural communities over the forecast period; however, lower prices will pull down cattle markets.

As well, the energy sector will continue to experience a healthy, albeit lower, level of drilling over the next two years as prices remain low. Pipeline constraints are limiting the ability of producers in Alberta to transport gas to market and work off the excess supply. Additional investment will support this sector as heavy oil expansion is renewed in 1996. As a result, employment will grow by almost 2 per cent over the forecast

Provincial Migration on the Rise ALBERTA



SOURCE: Statistics Canada.
CMHC: Forecast.

period, increasing provincial migration to 18,000 by 1997.

Consumers are for the most part left out as a major source of provincial growth. Government layoffs combined with private sector restructuring have left consumers with flat or negative income growth at a time when their debt loads are extremely high. For the province as a whole, the lack of consumer confidence means that housing demand will continue to suffer. The only market segments that will experience increased volume will be those that are not currently oversupplied.

Housing markets moving to a new reality

In the short term, purchasers are not expected to improve their attitude toward spending in general, and housing specifically. With the bulk of first-time buyer demand satisfied, markets are relying more on second-time purchasers. However, some potential second-time purchasers may still find it difficult to sell their existing homes. As a result, low interest rates and prices will contribute to a stronger spring market, but overall sales will

continue to show only modest improvement.

Resale markets will see modest gains accelerating in the second quarter and continuing to the end of the year. Stronger migration will also increase demand, particularly in Edmonton, where the amalgamation of several Canadian Forces bases into CFB Edmonton will start bringing people back to the area for the first time since 1992. Calgary has managed to avoid some of the slowdown over the past two years and is poised for a modest increase in over the next two years as the economy grows and migration remains steady. Overall, provincial MLS sales will rise by 10 per cent to 32,000 units this year and by an additional 5 per cent in 1997. Average prices will post 1 per cent increases in both years, rising to \$117,000 by 1997.

New residential construction will see little change this year and next, as slow sales and surplus inventories result in little positive growth. Single-family starts will be the bright light, posting a modest increase after three years of declines. Lower inventories in both Edmonton and Calgary will also help prop up the market; however, starts will continue to be limited by competitive resale markets and stalled consumer demand. Single starts will rise by only 11 per cent to

11,200 units in 1996, and by an additional four per cent to 11,700 in 1997.

The multi-family market will be characterized by lower starts this year. In 1995, inventories of complete and unsold units in both Edmonton and Calgary continued to rise despite a 24 per cent drop in construction activity. As of December, there were approximately 1,000 units in Edmonton, and Calgary is expecting the completion of some 1,300 units in first six months of 1996, bringing the total inventory up to almost 1,600. As a result, multiple construction overall will decline this year by 19 per cent. Prices will also suffer where inventories are concentrated and have been on the market for some time. Some modest improvement will occur in 1997, as additional demand prompts a 3 per cent increase in starts.

Rental market conditions will remain much the same over the forecast period. Vacancy rates fell in most centres in 1995, with Edmonton being the exception. Double digit vacancies will persist there until fall 1996, with only modest improvement over the next two years. In Calgary, migration again lowered vacancies in 1995, and gradual improvement will push vacancies to a low of 3 per cent in 1997. ■

Key Provincial Indicators

ALBERTA

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 2.8 | 2.5 | 2.6 |
| Employment (% Change) | 2.7 | 1.8 | 1.9 |
| Unemployment Rate (%) | 7.8 | 7.7 | 7.6 |
| Housing Starts (Units) | | | |
| Total | 13906 | 14300 | 14900 |
| Singles | 10096 | 11200 | 11700 |
| Multiples | 3810 | 3100 | 3200 |
| MLS Sales (Units) | 29098 | 32000 | 33500 |
| Average MLS Price (Dollars) | 114772 | 116000 | 117000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

British Columbia

by Helmut Pastrick

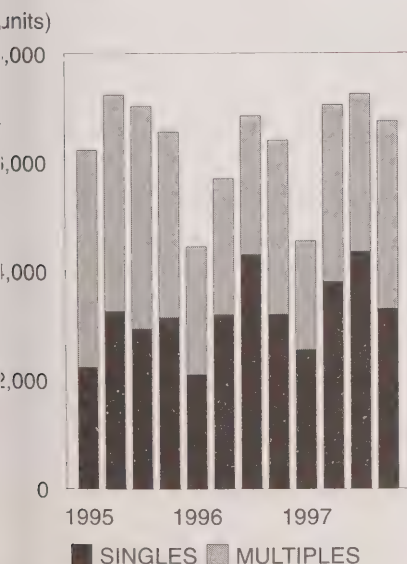
Highlights

- Sales stall
- Slower demand growth
- Affordability much improved

Sales stall in fourth quarter

Housing sales stalled over the last part of 1995 after a robust resurgence in the spring and summer. A rise in mortgage rates and uncertainty surrounding the Quebec referendum put many potential buyers on the sidelines. This weaker performance cast some doubt as to whether the market was turning around.

Housing Starts BRITISH COLUMBIA



SOURCE: CMHC.
1995-96 Forecast.

Meanwhile, new construction continued to plunge. Total housing starts were pulled down by large reductions in condominium apartment construction. There were some tentative signs of stabilization in single-family housing starts by year end. But no relief from the two-year-long contraction is expected until unsold inventory levels are much lower.

Completed and unsold inventory of new units edged down in the fourth quarter. A year-end surge in apartment condominium completions pushed inventory to a record high. However, based on the supply profile, the inventory cycle will be heading downwards throughout most of the forecast period. This bodes well for future construction activity.

Housing prices remained on a downward track because of a supply-demand imbalance. Prices finished the year about 10 per cent lower than at the start. A record high level of listings on the resale and new housing markets puts pressure on prices in this hesitant sales environment. In the resale market, listings outnumber sales by about eight to one, which signals a buyer's market. A stable market balance is about five to one.

This market adjustment process, which began almost two years ago, advanced further in the past quarter. Less new construction and lower prices were the industry's watchwords. The key for the market this year will be increased sales and a

reduction of supply to price-stabilizing levels.

1996-97 Outlook

Slower economic and population growth

The slower growth of the B.C. economy will continue in 1996, though a modest increase is expected next year. Exports have been the strongest sector of the economy, but this growth engine is beginning to sputter. Domestic demand, which was growing strongly before housing went into recession, continues to languish.

The performance of external economies and the currency takes on greater importance under current conditions. The economy in the U.S., B.C.'s largest export market, is expected to grow more slowly in 1996. This means fewer forestry exports and less tourism. Contributing to this slower export picture is an appreciating currency. On the plus side, Japan will be coming out of its economic doldrums. It will join other rapidly growing economies of the Asia-Pacific to bolster exports.

Employment growth is slow. Last year, it fell under 2 per cent, well below its long-term average. Prospects for this year are somewhat bleaker; growth is forecast to be closer to 1 per cent. Wage and salary increases will continue to be moderate. With unemployment stuck at around 9 per cent, labour force



B.C.'s Housing Cycle

The housing recession that began in 1994 has been one of the longest in modern history. This was in stark contrast to the previous short but sharp recession in 1990. The 1990 recession was followed by an equally sharp rebound. What can be expected this time and how might it unfold?

The housing cycle can be broken down into four interrelated sub-cycles: sales, starts, inventory, and price. The accompanying graph shows MLS residential sales, housing starts, and newly completed unsold inventory cycles for B.C. during the two most recent recessions. Each series is indexed at its cycle peak to facilitate comparison. The sales cycle peak is the reference point.

The 1990 recession was remarkable for its short duration and the intensity of its contraction. Sales volume dropped 40 per cent in just over two quarters. Housing starts followed one quarter later and dropped by a similar amount over a four-quarter span.

Equally remarkable was the subsequent recovery phase. Sales shot up quickly and housing starts followed three quarters later. Unsold inventory declined after sales had been rising for two quarters. Demand conditions were very favourable at that time. Migration was high and rising, and employment growth was recovering from a slowdown period.

The 1994 recession was much longer and eventually more severe. The sales cycle went steadily downwards for four quarters before improving in the spring of 1995. Housing starts, which had been running at record highs, went into a contraction that has reached nine quarters, one of the longest on record. Starts peaked two quarters before sales when financing requirements were tightened.

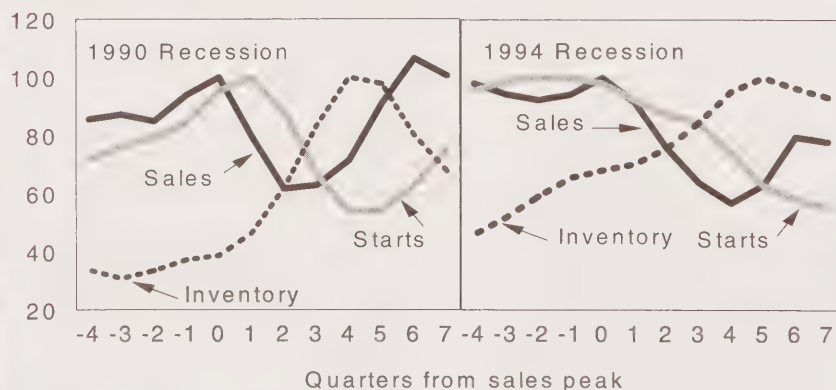
Housing starts are still dropping even though sales have turned up and unsold inventory has passed its peak. The difference in this cycle can be attributed to weaker demand and supply conditions: Sales are up by about 20 per cent less than at the same point in the 1990 cycle. Another key factor constraining starts is the much higher level (about 25 per cent) of unsold inventory.

The housing demand outlook holds the key for the strength and duration of the recovery phase. Slowing employment and population growth are probable during 1996, and the economy may accelerate modestly in 1997. The main impetus will have to come from lower mortgage rates, lower prices, or a combination of the two (the affordability factor). Almost certainly, the demand conditions that generated the strong rebound following the 1990 recession are not likely.

The important affordability factor should drive sales higher during the forecast period. While many first-time buyers opted for ownership during the last recovery, more are now waiting on the sidelines. The impact on the market of first-time buyers is greater than their numbers since spin-off sales occur. Higher sales volume will eventually lead to a recovery in starts and prices, but the 1996 recovery phase will be quite moderate by previous cycle standards.

Starts, and New Inventory Cycles

Series Peak = 100; Sales peaks 1989:Q4 and 1994:Q1



SOURCE: CMHC.

growth is also slowing down. A reduction in migration is also contributing to slower labour force growth.

Another element in the labour market is the negative effect that downsizing and job shedding have on consumer confidence. Highly public reports of job cutbacks can make existing job holders more tentative in their spending. Obviously, in such an environment, housing sales are adversely affected.

Migration flows will continue to diminish in B.C. in 1996. Interprovincial migration to the province is down considerably, as fewer people are arriving from Alberta and Ontario and more people are leaving. This large drop is not being offset by international migration. Fewer immigrants have come since the national annual target levels were lowered in late 1994.

Housing is directly affected by these reduced flows. Fewer housing sales occur and rental demand grows at a lesser pace. The downshift in population growth means a downshift in new construction levels. With slower demand growth, it will take longer to deplete unwanted inventory. Clearly, the housing market will need stimulus from some other factor.

Fortunately, mortgage rates will be giving a boost to housing sales this year. Rates have come down since December and the prognosis is good for further cuts. However, according to the experts, higher rates are in the offing by 1997.

Affordability best in two years and improving

Homes in B.C. are more affordable now than in the past couple of years; with lower mortgage rates and housing prices, they will become even more affordable in 1996.

Housing sales volume is forecast to rise this year by 15 per cent. This will be a most welcome development for sellers, who have endured one of

the bleakest markets in many years. A sustained improvement in affordability has always led to more sales, though the timing has varied. A pickup in sales is critical if the oversupply of housing is to be eliminated and prices are to stabilize.

Lower-priced products and those aimed at first-time buyers will be performing the best. They are the most sensitive to affordability conditions. The existing market will benefit the most from a resurgence in first-time buyer activity. Lower priced new housing, such as condominium apartments, also stands to gain. However, the upper end of the market will likely remain slow. Sales to off-shore buyers are not expected to come out of their slump this year.

Increased purchases by first-time buyers make it easier for empty-nesters to sell their older, underutilized houses. In turn, sales of new condominiums to this market should increase.

The buyer's market is expected to prevail until about mid-year or possibly as long as autumn. Supply on the market will steadily diminish and sales volume will be higher. This will mark an important turn in the price cycle and signal coming price stabilization.

Housing construction will tend to mirror the price cycle. Further reductions in the first half of this year will be followed by some firming in housing starts in the second half. For the year, total housing starts are projected to fall about 15 per cent.

The prospects are brighter for single family, semi-detached, and townhouse construction geared to the people looking for affordable housing. There is much less oversupply in these markets, and inventory cycles peaked a few months ago. When coupled with a good sales outlook, construction is expected to increase.

Another positive development in Vancouver, with its high land costs, is the emergence of the small house on

a small lot. This type of suburban housing development will be coming on the market in ever greater numbers throughout the forecast period. Initial market acceptance has been very good.

The situation is much different in new apartment condominiums, where there are a great number of excess units and the inventory cycle only recently hit its peak. Construction will decline throughout most of this year and this will be the last housing type to see more construction.

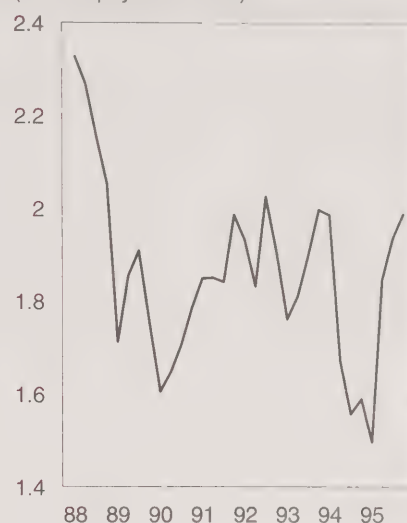
Financing for new construction is still tight: lending requirements are stringent, and a great deal of caution is being exercised by lenders. Once the market shows a sustained sales upturn and price stability emerges, lenders will want to do more business.

Loose rental market conditions, which began in 1995, are expected to continue. The shift of renters to first-time ownership will accelerate this year. Growth in rental demand, which traditionally comes from interprovincial migration and labour force growth, is going to be much slower.

In sum, the housing cycle is forecast to turn upward this year. The sales and inventory cycles are going in favourable directions. Housing starts and price cycles will soon follow. The long recessionary phase will come to an end.

Home Purchasing Affordability BRITISH COLUMBIA

(income/payments ratio)



SOURCE: CMHC.

NOTE: Based on average B.C. MLS residential price, 75% loan, 5 yr. term, 30% GDS. A rise in the ratio indicated improving affordability.

The strength of the upturn depends on the extent of housing demand growth. The assumptions used in the 1997 forecasts call for a modest increase in economic activity and an average migration performance against a backdrop of slightly higher interest rates. Forecast housing sales and starts volumes in 1997 are therefore only moderately higher. ■

Key Provincial Indicators BRITISH COLUMBIA

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 2.6 | 2.2 | 2.8 |
| Employment (% Change) | 1.7 | 1.2 | 1.8 |
| Unemployment Rate (%) | 9.0 | 8.8 | 8.9 |
| Housing Starts (Units) | | | |
| Total | 27057 | 23400 | 25600 |
| Singles | 11581 | 12800 | 14000 |
| Multiples | 15476 | 10600 | 11600 |
| MLS Sales (Units) | 58082 | 66800 | 70000 |
| Average MLS Price (Dollars) | 221860 | 207000 | 211000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Housing Starts

Total (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 2836 | 2271 | 2405 | 2243 | 1712 | 1575 | 1550 |
| % | -12.6 | -19.9 | 5.9 | -6.7 | -23.7 | -8.0 | -1.6 |
| PEI | 553 | 644 | 645 | 669 | 422 | 425 | 410 |
| % | -27.4 | 16.5 | 0.2 | 3.7 | -36.9 | 0.7 | -3.5 |
| NS | 5173 | 4673 | 4282 | 4748 | 4168 | 3800 | 4000 |
| % | -7.0 | -9.7 | -8.4 | 10.9 | -12.2 | -8.8 | 5.3 |
| NB | 2872 | 3310 | 3693 | 3203 | 2300 | 2450 | 2800 |
| % | 7.0 | 15.3 | 11.6 | -13.3 | -28.2 | 6.5 | 14.3 |
| QUE | 44654 | 38228 | 34015 | 34154 | 21885 | 22200 | 23100 |
| % | -7.1 | -14.4 | -11.0 | 0.4 | -35.9 | 1.4 | 4.1 |
| ONT | 52794 | 55772 | 45140 | 46645 | 35818 | 39000 | 41000 |
| % | -15.7 | 5.6 | -19.1 | 3.3 | -23.2 | 8.9 | 5.1 |
| MAN | 1950 | 2310 | 2425 | 3197 | 1963 | 2150 | 2450 |
| % | -40.9 | 18.5 | 5.0 | 31.8 | -38.6 | 9.5 | 14.0 |
| SASK | 998 | 1869 | 1880 | 2098 | 1702 | 1700 | 1700 |
| % | -29.6 | 87.3 | 0.6 | 11.6 | -18.9 | -0.1 | 0.0 |
| ALTA | 12492 | 18573 | 18151 | 17692 | 13906 | 14300 | 14900 |
| % | -27.5 | 48.7 | -2.3 | -2.5 | -21.4 | 2.8 | 4.2 |
| BC | 31875 | 40621 | 42807 | 39408 | 27057 | 23400 | 25600 |
| % | -13.2 | 27.4 | 5.4 | -7.9 | -31.3 | -13.5 | 9.4 |
| CAN | 156197 | 168271 | 155443 | 154057 | 110933 | *111000 | *117500 |
| % | -14.0 | 7.7 | -7.6 | -0.9 | -28.0 | 0.1 | 5.9 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 2135 | 1611 | 1559 | 1455 | 1165 | 1100 | 1050 |
| % | -13.5 | -24.5 | -3.2 | -6.7 | -19.9 | -5.6 | -4.5 |
| PEI | 376 | 421 | 460 | 454 | 364 | 375 | 365 |
| % | -22.2 | 12.0 | 9.3 | -1.3 | -19.8 | 3.0 | -2.7 |
| NS | 2604 | 3232 | 3126 | 3358 | 3040 | 2900 | 3000 |
| % | -28.4 | 24.1 | -3.3 | 7.4 | -9.5 | -4.6 | 3.4 |
| NB | 2154 | 2391 | 2535 | 2547 | 1722 | 1900 | 2200 |
| % | 0.8 | 11.0 | 6.0 | 0.5 | -32.4 | 10.3 | 15.8 |
| QUE | 22531 | 18564 | 17136 | 18414 | 13428 | 13950 | 14500 |
| % | -9.7 | -17.6 | -7.7 | 7.5 | -27.1 | 3.9 | 3.9 |
| ONT | 26290 | 27868 | 26240 | 30036 | 20124 | 24500 | 26000 |
| % | -18.9 | 6.0 | -5.8 | 14.5 | -33.0 | 21.7 | 6.1 |
| MAN | 1589 | 1683 | 1874 | 2441 | 1564 | 1700 | 1950 |
| % | -44.2 | 5.9 | 11.3 | 30.3 | -35.9 | 8.7 | 14.7 |
| SASK | 775 | 1484 | 1342 | 1542 | 1341 | 1325 | 1350 |
| % | -28.7 | 91.5 | -9.6 | 14.9 | -13.0 | -1.2 | 1.9 |
| ALTA | 9778 | 14125 | 13040 | 12671 | 10096 | 11200 | 11700 |
| % | -29.2 | 44.5 | -7.7 | -2.8 | -20.3 | 10.9 | 4.5 |
| BC | 18335 | 21472 | 17787 | 16591 | 11581 | 12800 | 14000 |
| % | -0.8 | 17.1 | -17.2 | -6.7 | -30.2 | 10.5 | 9.4 |
| CAN | 86567 | 92851 | 85099 | 89509 | 64425 | *71800 | *76100 |
| % | -15.4 | 7.3 | -8.3 | 5.2 | -28.0 | 11.4 | 6.0 |

Multiples (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 701 | 660 | 846 | 788 | 547 | 475 | 500 |
| % | -9.8 | -5.8 | 28.2 | -6.9 | -30.6 | -13.2 | 5.3 |
| PEI | 177 | 223 | 185 | 215 | 58 | 50 | 45 |
| % | -36.6 | 26.0 | -17.0 | 16.2 | -73.0 | -13.8 | -10.0 |
| NS | 2569 | 1441 | 1156 | 1390 | 1128 | 900 | 1000 |
| % | 33.7 | -43.9 | -19.8 | 20.2 | -18.8 | -20.2 | 11.1 |
| NB | 718 | 919 | 1158 | 656 | 578 | 550 | 600 |
| % | 31.5 | 28.0 | 26.0 | -43.4 | -11.9 | -4.8 | 9.1 |
| QUE | 22123 | 19664 | 16879 | 15740 | 8457 | 8250 | 8600 |
| % | -4.3 | -11.1 | -14.2 | -6.7 | -46.3 | -2.4 | 4.2 |
| ONT | 26504 | 27904 | 18900 | 16609 | 15694 | 14500 | 15000 |
| % | -12.3 | 5.3 | -32.3 | -12.1 | -5.5 | -7.6 | 3.4 |
| MAN | 361 | 627 | 551 | 756 | 399 | 450 | 500 |
| % | -19.8 | 73.7 | -12.1 | 37.2 | -47.2 | 12.8 | 11.1 |
| SASK | 223 | 385 | 538 | 556 | 361 | 375 | 350 |
| % | -32.4 | 72.6 | 39.7 | 3.3 | -35.1 | 3.9 | -6.7 |
| ALTA | 2714 | 4448 | 5111 | 5021 | 3810 | 3100 | 3200 |
| % | -20.6 | 63.9 | 14.9 | -1.8 | -24.1 | -18.6 | 3.2 |
| BC | 13540 | 19149 | 25020 | 22817 | 15476 | 10600 | 11600 |
| % | -25.8 | 41.4 | 30.7 | -8.8 | -32.2 | -31.5 | 9.4 |
| CAN | 69630 | 75420 | 70344 | 64548 | 46508 | *39300 | *41400 |
| % | -12.2 | 8.3 | -6.7 | -8.2 | -27.9 | -15.5 | 5.3 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

| | | Centres 10,00 Population and Over | | | | | Other Areas | All Areas Total |
|------|------|-----------------------------------|----------|--------------|-------|--------|---------------|-----------------|
| | | Rental/Co-op Private | Assisted | Total Rental | Condo | Other* | Total 10,000+ | |
| NFLD | 1995 | 49 | 0 | 49 | 31 | 447 | 527 | 547 |
| | 1996 | 10 | 0 | 10 | 100 | 355 | 465 | 475 |
| | 1997 | 50 | 0 | 50 | 120 | 310 | 480 | 500 |
| PEI | 1995 | 51 | 0 | 51 | 0 | 0 | 51 | 58 |
| | 1996 | 40 | 0 | 40 | 0 | 0 | 40 | 50 |
| | 1997 | 40 | 0 | 40 | 0 | 0 | 40 | 45 |
| NS | 1995 | 579 | 0 | 579 | 24 | 414 | 1017 | 1128 |
| | 1996 | 450 | 0 | 450 | 0 | 350 | 800 | 900 |
| | 1997 | 500 | 0 | 500 | 0 | 400 | 900 | 1000 |
| NB | 1995 | 359 | 0 | 359 | 16 | 87 | 462 | 578 |
| | 1996 | 311 | 0 | 311 | 20 | 95 | 426 | 550 |
| | 1997 | 342 | 0 | 342 | 24 | 102 | 468 | 600 |
| QUE | 1995 | 2641 | 0 | 2641 | 2171 | 2965 | 7777 | 8457 |
| | 1996 | 2550 | 0 | 2550 | 1850 | 3100 | 7500 | 8250 |
| | 1997 | 2700 | 0 | 2700 | 2050 | 3000 | 7750 | 8600 |
| ONT | 1995 | 547 | 2945 | 3492 | 5661 | 6147 | 15300 | 15694 |
| | 1996 | 1400 | 900 | 2300 | 5700 | 6150 | 14150 | 14500 |
| | 1997 | 1900 | 0 | 1900 | 6400 | 6300 | 14600 | 15000 |
| MAN | 1995 | 0 | 0 | 0 | 273 | 26 | 299 | 399 |
| | 1996 | 35 | 0 | 35 | 275 | 30 | 340 | 450 |
| | 1997 | 45 | 0 | 45 | 300 | 35 | 380 | 500 |
| SASK | 1995 | 33 | 0 | 33 | 281 | 6 | 320 | 361 |
| | 1996 | 35 | 0 | 35 | 275 | 10 | 320 | 375 |
| | 1997 | 35 | 0 | 35 | 255 | 10 | 300 | 350 |
| ALTA | 1995 | 196 | 0 | 196 | 2562 | 358 | 3116 | 3810 |
| | 1996 | 200 | 0 | 200 | 2000 | 250 | 2450 | 3100 |
| | 1997 | 200 | 0 | 200 | 2100 | 250 | 2550 | 3200 |
| BC | 1995 | 843 | 350 | 1193 | 12769 | 672 | 14634 | 15476 |
| | 1996 | 650 | 250 | 900 | 8550 | 550 | 10000 | 10600 |
| | 1997 | 600 | 200 | 800 | 9450 | 650 | 10900 | 11600 |
| CAN | 1995 | 5298 | 3295 | 8593 | 24582 | 11122 | 43503 | 46508 |
| | 1996 | 5681 | 1150 | 6831 | 20020 | 10890 | 36491 | **39300 |
| | 1997 | 6412 | 200 | 6612 | 21649 | 11057 | 38368 | **41400 |

SOURCE: CMHC.

1995 Actual, 1996-97 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

Housing Starts

Total New House Price Index* (annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------------------------|-------|------|------|------|------|---------------------|---------------------|
| ST. JOHN'S | 7.2 | 0.8 | 0.1 | 0.4 | 0.1 | 0.0 | 0.4 |
| HALIFAX | -0.2 | 1.1 | 3.0 | 2.8 | 2.9 | 2.0 | 2.5 |
| SAINT-JOHN | 0.9 | 0.9 | -0.1 | 0.1 | -0.1 | 0.5 | 0.7 |
| QUÉBEC CITY | 2.8 | 0.8 | -0.3 | -0.5 | 0.8 | 0.5 | 0.7 |
| MONTRÉAL | 0.6 | 0.1 | 0.8 | 0.6 | 0.8 | 0.5 | 0.8 |
| OTTAWA | -0.4 | 0.1 | -0.6 | 0.2 | -1.8 | 0.2 | 1.0 |
| TORONTO | -15.1 | -4.4 | -2.4 | -0.2 | 0.7 | -0.7 | -0.7 |
| HAMILTON | -5.9 | -3.6 | -2.6 | -0.3 | -1.1 | 0.1 | 0.8 |
| ST. CATHARINES | -3.5 | -2.4 | -3.2 | -4.0 | -0.8 | -0.6 | -0.3 |
| KITCHENER | -7.8 | -3.0 | 0.8 | -2.6 | -0.7 | -0.3 | 0.8 |
| LONDON | 0.5 | 0.2 | -0.1 | 0.2 | -2.7 | 0.0 | 1.4 |
| WINDSOR | -0.0 | -0.1 | -0.5 | 0.1 | 1.1 | 1.4 | 1.5 |
| SUDBURY- THUNDER BAY | 0.3 | -0.5 | 1.9 | 1.4 | 0.2 | 0.5 | 0.8 |
| WINNIPEG | -0.2 | -0.1 | 3.5 | 3.4 | 1.5 | 1.7 | 1.9 |
| REGINA | 2.4 | 4.6 | 5.5 | 3.9 | 3.1 | 2.5 | 2.0 |
| SASKATOON | -0.8 | 0.5 | 3.4 | 1.5 | 0.9 | 2.0 | 2.0 |
| CALGARY | -2.7 | 0.6 | 3.1 | 2.4 | 0.8 | 0.8 | 1.1 |
| EDMONTON | 2.2 | 0.9 | 3.5 | 0.9 | -1.3 | 1.0 | 1.0 |
| VANCOUVER | -7.2 | 8.8 | 7.7 | -0.6 | -5.2 | -2.0 | 4.0 |
| VICTORIA | -1.5 | 4.9 | 3.0 | -0.9 | -8.6 | 0.5 | 1.4 |
| CANADA | -6.9 | 0.0 | 1.2 | 0.1 | -1.2 | -0.3 | 1.2 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1892 | 1829 | 1867 | 1873 | 1655 | 1725 | 1775 |
| % | -5.3 | -3.3 | 2.1 | 0.3 | -11.6 | 4.2 | 2.9 |
| PEI | 764 | 604 | 654 | 599 | 476 | 500 | 480 |
| % | 3.0 | -20.9 | 8.3 | -8.4 | -20.5 | 5.0 | -4.0 |
| NS | 5811 | 6958 | 7180 | 7140 | 7019 | 6500 | 6700 |
| % | -4.3 | 19.7 | 3.2 | -0.6 | -1.7 | -7.4 | 3.1 |
| NB | 3259 | 3550 | 3483 | 3339 | 3496 | 3600 | 3725 |
| % | -1.7 | 8.9 | -1.9 | -4.1 | 4.7 | 3.0 | 3.5 |
| QUE | 28005 | 31946 | 31875 | 33575 | 29824 | 33500 | 33500 |
| % | -0.2 | 14.1 | -0.2 | 5.3 | -11.2 | 12.3 | 0.0 |
| ONT | 126143 | 131380 | 121558 | 130358 | 115501 | 120000 | 120000 |
| % | 22.7 | 4.2 | -7.5 | 7.2 | -11.4 | 3.9 | 0.0 |
| MAN | 9521 | 11383 | 10556 | 10825 | 9749 | 10000 | 10150 |
| % | 1.8 | 19.6 | -7.3 | 2.5 | -9.9 | 2.6 | 1.5 |
| SASK | 6505 | 7829 | 7375 | 7459 | 7349 | 7375 | 7500 |
| % | 1.6 | 20.4 | -5.8 | 1.1 | -1.5 | 0.4 | 1.7 |
| ALTA | 34360 | 38545 | 37024 | 32512 | 29098 | 32000 | 33500 |
| % | 3.9 | 12.2 | -3.9 | -12.2 | -10.5 | 10.0 | 4.7 |
| BC | 84554 | 93564 | 80919 | 75270 | 58082 | 66800 | 70000 |
| % | 45.7 | 10.7 | -13.5 | -7.0 | -22.8 | 15.0 | 4.8 |
| CAN** | 300814 | 327588 | 302491 | 302950 | 262249 | *282000 | *287300 |
| % | 20.4 | 8.9 | -7.7 | 0.2 | -13.4 | 7.5 | 1.9 |

Average Residential Price (dollars and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 90822 | 91590 | 91242 | 91698 | 89525 | 90500 | 91000 |
| % | 2.4 | 0.8 | -0.4 | 0.5 | -2.4 | 1.1 | 0.6 |
| PEI | 71033 | 75570 | 72421 | 78753 | 73803 | 74000 | 73000 |
| % | 2.5 | 6.4 | -4.2 | 8.7 | -6.3 | 0.3 | -1.4 |
| NS | 86462 | 87684 | 88965 | 91109 | 89788 | 90900 | 91800 |
| % | 2.1 | 1.4 | 1.5 | 2.4 | -1.4 | 1.2 | 1.0 |
| NB | 80897 | 82478 | 84951 | 84149 | 83993 | 82750 | 84750 |
| % | 4.0 | 2.0 | 3.0 | -0.9 | -0.2 | -1.5 | 2.4 |
| QUE | 102795 | 102311 | 102447 | 102242 | 98837 | 100000 | 101000 |
| % | 2.0 | -0.5 | 0.1 | -0.2 | -3.3 | 1.2 | 1.0 |
| ONT | 173723 | 162827 | 157671 | 161166 | 155003 | 157000 | 159000 |
| % | -1.2 | -6.3 | -3.2 | 2.2 | -3.8 | 1.3 | 1.3 |
| MAN | 80445 | 80686 | 81739 | 83761 | 81897 | 83000 | 84000 |
| % | 0.6 | 0.3 | 1.3 | 2.5 | -2.2 | 1.3 | 1.2 |
| SASK | 67697 | 68406 | 70698 | 72738 | 73796 | 75000 | 76000 |
| % | -1.8 | 1.0 | 3.4 | 2.9 | 1.5 | 1.6 | 1.3 |
| ALTA | 111482 | 113558 | 117085 | 117336 | 114772 | 116000 | 117000 |
| % | 2.6 | 1.9 | 3.1 | 0.2 | -2.2 | 1.1 | 0.9 |
| BC | 168235 | 189999 | 211992 | 229514 | 221860 | 207000 | 211000 |
| % | 6.7 | 12.9 | 11.6 | 8.3 | -3.3 | -6.7 | 1.9 |
| CAN** | 149749 | 150753 | 153583 | 158878 | 150713 | *149600 | *152100 |
| % | 4.4 | 0.7 | 1.9 | 3.4 | -5.1 | -0.7 | 1.7 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

| | *Number of Units | 1994 | | 1995 | | 1996 | 1997 |
|----------------------------|---------------------|------|-----|------|------|--------------------|--------------------|
| | | APR | OCT | APR | OCT | OCT ^(F) | OCT ^(F) |
| CALGARY | 47930 | 6.3 | 5.1 | 4.6 | 3.6 | 3.3 | 3.0 |
| CHICOUTIMI- JONQUIÈRE | 8190 | 5.3 | 6.3 | 5.5 | 6.0 | 5.7 | 5.3 |
| EDMONTON | 64748 | 9.1 | 8.9 | 10.2 | 10.2 | 9.0 | 6.9 |
| HALIFAX | 32073 | 7.2 | 7.2 | 7.2 | 7.7 | 7.9 | 7.7 |
| HAMILTON | 43282 | 2.7 | 2.4 | 2.4 | 2.0 | 1.8 | 1.6 |
| KITCHENER | 25930 | 4.2 | 2.8 | 2.6 | 2.2 | 2.2 | 2.0 |
| LONDON | 39674 | 4.7 | 4.1 | 3.9 | 4.3 | 4.0 | 3.7 |
| MONTRÉAL | 453451 | 6.4 | 6.8 | 5.8 | 6.2 | 6.0 | 5.8 |
| OSHAWA | 11085 | 4.1 | 3.4 | 2.6 | 2.7 | 2.2 | 1.8 |
| OTTAWA | 60772 | 2.5 | 2.6 | 3.4 | 3.8 | 3.1 | 2.8 |
| HULL | 18378 | 4.7 | 6.6 | 5.6 | 8.3 | 7.5 | 7.0 |
| QUÉBEC CITY | 71301 | 5.7 | 6.9 | 5.6 | 6.0 | 5.5 | 5.2 |
| REGINA | 12088 | 4.1 | 3.2 | 3.3 | 2.1 | 1.7 | 2.0 |
| ST. CATHARINES- NIAGARA | 16631 | 6.0 | 5.8 | 4.9 | 5.2 | 4.9 | 4.3 |
| SAINT JOHN | 7939 | 8.7 | 8.0 | 8.8 | 8.6 | 8.8 | 9.0 |
| ST. JOHN'S | 4727 | 10.6 | 7.1 | 9.1 | 10.8 | 11.5 | 11.0 |
| SASKATOON | 17676 | 4.0 | 1.8 | 2.3 | 1.0 | 1.5 | 2.0 |
| SHERBROOKE | 23503 | 6.2 | 8.0 | 6.2 | 6.2 | 5.8 | 5.4 |
| SUDBURY | 10832 | 5.1 | 4.3 | 6.2 | 6.0 | 5.5 | 5.0 |
| THUNDER BAY | 5346 | 4.4 | 4.1 | 6.4 | 6.2 | 6.2 | 5.9 |
| TORONTO | 298962 | 1.8 | 1.2 | 1.0 | 0.8 | 0.5 | 0.3 |
| TROIS-RIVIÈRES | 16023 | 6.3 | 7.4 | 7.3 | 7.2 | 6.3 | 5.6 |
| VANCOUVER | 106754 | 1.4 | 0.8 | 1.3 | 1.2 | 1.5 | 1.8 |
| VICTORIA | 24551 | 3.0 | 1.9 | 4.1 | 3.3 | 3.2 | 2.9 |
| WINDSOR | 14738 | 2.6 | 1.6 | 1.3 | 1.8 | 1.0 | 1.3 |
| WINNIPEG | 55468 | 5.4 | 5.6 | 4.7 | 5.4 | 5.2 | 5.0 |
| CANADA** | 1492052 | 4.6 | 4.6 | 4.2 | 4.3 | 4.1 | 3.8 |

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1995.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

| 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) | |
|------|------|------|------|------|---------------------|---------------------|------|
| NFLD | -1.5 | -4.4 | -0.5 | 0.5 | 1.5 | -2.0 | -1.0 |
| PEI | -3.6 | 1.9 | 0.0 | 3.7 | 5.4 | 0.0 | -2.5 |
| NS | -2.1 | -2.9 | -0.8 | 3.3 | 1.1 | 0.8 | 0.3 |
| NB | -1.7 | 1.7 | 1.0 | 0.7 | 2.3 | 1.4 | 1.6 |
| QUE | -2.3 | -1.0 | 0.4 | 2.5 | 1.5 | 1.3 | 1.0 |
| ONT | -3.5 | -0.9 | 1.8 | 1.4 | 1.4 | 0.8 | 1.3 |
| MAN | -2.3 | -1.6 | 2.2 | 0.4 | 2.0 | 1.3 | 1.3 |
| SASK | 0.0 | -1.5 | 0.9 | 0.4 | 0.7 | 1.7 | 1.1 |
| ALTA | 1.0 | -0.4 | 0.9 | 3.2 | 2.7 | 1.8 | 1.9 |
| BC | 1.5 | 2.1 | 2.9 | 4.0 | 1.7 | 1.2 | 1.8 |
| CAN | -1.9 | -0.6 | 1.3 | 2.1 | 1.6 | 1.1 | 1.3 |

Unemployment Rate (per cent)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|------|------|------|------|------|---------------------|---------------------|
| NFLD | 18.3 | 20.2 | 20.1 | 20.4 | 18.3 | 19.6 | 19.4 |
| PEI | 16.9 | 17.9 | 18.1 | 17.1 | 14.7 | 15.0 | 15.1 |
| NS | 12.0 | 13.2 | 14.7 | 13.3 | 12.1 | 11.8 | 12.0 |
| NB | 12.8 | 12.8 | 12.6 | 12.4 | 11.5 | 11.4 | 11.3 |
| QUE | 12.0 | 12.8 | 13.2 | 12.2 | 11.3 | 10.9 | 10.9 |
| ONT | 9.6 | 10.9 | 10.6 | 9.6 | 8.7 | 8.6 | 8.4 |
| MAN | 8.9 | 9.7 | 9.3 | 9.2 | 7.5 | 7.0 | 7.0 |
| SASK | 7.3 | 8.2 | 8.0 | 7.0 | 6.9 | 6.2 | 6.0 |
| ALTA | 8.3 | 9.5 | 9.7 | 8.6 | 7.8 | 7.7 | 7.6 |
| BC | 10.0 | 10.5 | 9.7 | 9.4 | 9.0 | 8.8 | 8.9 |
| CAN | 10.3 | 11.3 | 11.2 | 10.4 | 9.5 | 9.3 | 9.2 |

SOURCE: Statistics Canada.
(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

| | 1991 | 1992 | 1993 | 1994 | 1995 ^(E) | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|---------------------|---------------------|---------------------|
| NFLD | -271 | -910 | -3465 | -7105 | -8000 | -8500 | -7500 |
| PEI | -308 | 605 | 778 | 1198 | 935 | 675 | 500 |
| NS | 1787 | 2479 | 569 | -632 | 2000 | 3200 | 500 |
| NB | 245 | -436 | -393 | -562 | -1007 | -800 | -550 |
| QUE | 23297 | 32866 | 30165 | 29 | 10736 | 5600 | 6600 |
| ONT | 68108 | 98211 | 76221 | 62876 | 104000 | 99000 | 102000 |
| MAN | -2524 | -1657 | -1319 | -1473 | -100 | -500 | -750 |
| SASK | -7098 | -4422 | -3104 | -3024 | -675 | -825 | -525 |
| ALTA | 16876 | 15570 | 8890 | 1953 | 14700 | 17000 | 18000 |
| BC | 62978 | 78712 | 76251 | 77235 | 66500 | 52400 | 48400 |
| CAN** | 163090 | 221018 | 184593 | 130495 | 189089 | 167250 | 166675 |

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly per cent change)

| | 94:Q2 | 94:Q3 | 94:Q4 | 95:Q1 | 95:Q2 | 95:Q3 | 95:Q4 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 174.6 | 149.3 | 138.8 | 123.4 | 112.3 | 114.2 | 106.0 |
| % | 5.5 | -14.5 | -7.0 | -11.1 | -9.0 | 1.8 | -7.2 |
| Housing starts, total, thousands | 165.8 | 155.0 | 141.7 | 127.4 | 108.3 | 104.7 | 111.1 |
| % | 7.7 | -6.5 | -8.6 | -10.1 | -15.0 | -3.3 | 6.1 |
| Housing starts, singles, thousands | 102.7 | 96.4 | 75.7 | 73.3 | 62.3 | 61.4 | 66.8 |
| % | 37.7 | -6.1 | -21.5 | -3.2 | -15.0 | -1.4 | 8.8 |
| Housing starts, multiples, thousands | 63.1 | 58.6 | 66.0 | 54.1 | 46.0 | 43.3 | 44.3 |
| % | -20.4 | -7.1 | 12.6 | -18.0 | -15.0 | -5.9 | 2.3 |
| Housing completions, total, thousands | 163.4 | 175.6 | 159.5 | 134.5 | 124.4 | 109.3 | 109.7 |
| % | 9.1 | 7.4 | -9.2 | -15.6 | -7.5 | -12.2 | 0.5 |
| New house price index (1986=100) | 136.0 | 136.0 | 135.9 | 135.8 | 134.8 | 134.1 | 133.3 |
| % | -0.3 | 0.0 | 0.0 | -0.1 | -0.7 | -0.5 | -0.6 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 320.3 | 271.8 | 273.1 | 225.8 | 251.9 | 299.7 | 265.8 |
| % | -7.3 | -15.1 | 0.5 | -17.3 | 11.6 | 19.0 | -11.5 |
| MLS average resale price, \$C thousands | 159.0 | 159.1 | 158.3 | 152.1 | 149.7 | 152.5 | 150.9 |
| % | 0.6 | 0.0 | -0.5 | -3.9 | -1.6 | 1.9 | -1.0 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 322.7 | 327.9 | 330.7 | 333.7 | 334.5 | 336.7 | .. |
| % | 2.1 | 1.6 | 0.9 | 0.9 | 0.2 | 0.7 | .. |
| Mortgage approvals, \$C billions | 76.6 | 58.2 | 56.3 | 44.9 | 50.5 | 63.7 | .. |
| % | -2.6 | -23.9 | -3.3 | -20.3 | 12.6 | 26.0 | .. |
| 1-year mortgage rate, per cent* | 8.28 | 8.38 | 8.50 | 9.63 | 8.50 | 7.96 | 7.42 |
| 5-year mortgage rate, per cent* | 9.92 | 10.30 | 10.10 | 10.34 | 8.96 | 8.80 | 8.53 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 33.9 | 32.2 | 31.2 | 29.3 | 28.1 | 27.5 | 27.0 |
| % | 4.3 | -5.1 | -3.1 | -6.1 | -4.2 | -2.0 | -2.0 |
| New, \$1986 billions | 16.1 | 15.8 | 14.6 | 13.6 | 12.3 | 11.1 | 11.1 |
| % | 8.0 | -1.9 | -7.4 | -6.7 | -10.0 | -9.9 | -9.9 |
| Alterations, \$1986 billions | 11.0 | 10.7 | 10.6 | 10.8 | 10.3 | 10.1 | 10.0 |
| % | 4.5 | -2.6 | -1.3 | 2.0 | -4.3 | -2.1 | -2.1 |
| Transfer costs, \$1986 billions | 6.9 | 5.7 | 6.0 | 4.9 | 5.5 | 6.4 | 5.9 |
| % | -3.8 | -16.6 | 5.2 | -19.1 | 12.4 | 16.0 | 16.0 |
| Deflator (1986=100) | 139.2 | 139.5 | 140.1 | 138.7 | 139.3 | 141.9 | 139.9 |
| % | 0.1 | 0.2 | 0.4 | -1.0 | 0.4 | 1.9 | 1.9 |

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

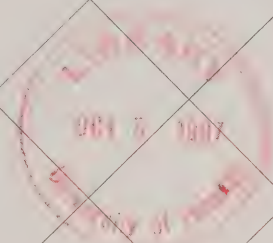
* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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**NATIONAL
HOUSING
OUTLOOK
SECOND
QUARTER
1996**



National Housing Outlook

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**NATIONAL HOUSING OUTLOOK
SECOND QUARTER 1996**

Forecast prepared May, 1996

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NATIONAL HOUSING OUTLOOK

Housing improves at beginning of 1996

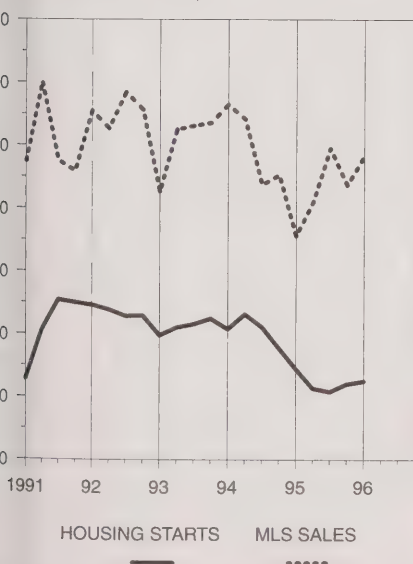
Increased housing activity was evident everywhere at the beginning of 1996. Sales of existing homes bounced back from the preceding quarter, reaching 291,400 units across the country, up from 265,800 in the closing quarter of 1995.

Some of that activity could be seen in the new home market. Starts of single-detached homes increased from 65,500 units SAAR to 69,100, for the second quarterly gain in a row. However, the multiple segment could not improve because of high condo inventories and rental apartment vacancies. Multiple starts have remained at substantially the same level since the spring of 1995, at

Increased activity at the beginning of 1996

Housing Starts and Residential MLS* Sales - Canada

(Thousands of units, SAAR)



SOURCES: CMHC; The Canadian Real Estate Association.

Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

an annual rate of 43,500 units. Total housing starts rose for the second consecutive quarter, reaching an annual rate of 112,600 units.

Another positive development was the apparent end of the price erosion that had made resale homes strongly competitive with new homes. In six provincial markets, average resale prices clearly broke from the low points reached in the spring of 1995. The exceptions, however, were the three largest provincial markets and New Brunswick.

A combination of moderate demand for new homes and very low construction levels helped shrink some inventories that are still in excess. The number of new and unoccupied dwellings declined both for single and multiple dwellings, although inventories still remain high for the latter group, mainly condominium units.

Economic Outlook

Economy continues to grow at moderate pace

We foresee moderate growth for the Canadian economy as a result of two diverging trends. Stimulating the economy and providing good momentum will be exports and business investment. Positive trends in the U.S. economy and a rebound in overseas economies should bring more demand for Canadian products. Strong demand and good profits should keep feeding the investment boom that has been a key feature of the Canadian economy through most of the 1990s.

In contrast, growth will be slowed down in the near term by government budget policies that aim to restore fiscal balance. At the same time, consumers are working to repair their personal balance sheets: spending is expected to lag behind income growth as individuals try to increase their savings.

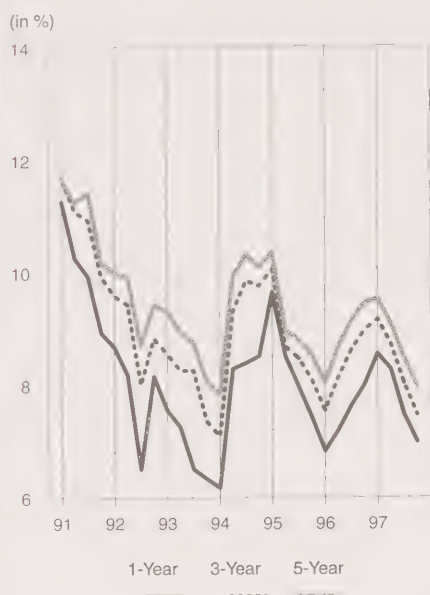
The economy's expansion will continue to translate into gradually stronger job markets. . . .

On balance, economic growth as measured by the GDP is expected to rise by approximately 2.0 per cent this year, with a slightly faster pace of 2.5 to 3 per cent in 1997.

The economy's expansion will continue to translate into gradually stronger job markets, as it has since the middle of 1995. The unemployment rate is expected to come down with the rise in total employment of almost 2 per cent per year in 1996 and 1997. This should also lift consumer confidence back to levels that have a positive influence on housing demand.

Two key unexpected developments took place on financial markets in the first few months of the year. First, bond yields began

Mortgage rates will remain lower than in 1994-95



SOURCE: Bank of Canada; 1996-97 CMHC forecast

to back up in February, turning around much faster than had generally been expected in the U.S. and in Canada. This was called an anticipatory move by markets: expecting stronger growth and a higher inflation in the U.S., investors were less interested in long-term bonds and required higher yields.

The second surprise was that Canadian short-term rates fell below the equivalent U.S. rates for the first time since 1983. The action, initiated by the Bank of Canada, was prompted by slow domestic economic growth, a strong dollar, the positive effect of lower public sector deficits and an inflation rate consistently below that of the U.S.

These developments on financial markets are affecting our mortgage rate outlook in two ways: the expected increase in rates is earlier, but it is not as large or as long lasting as we earlier thought. As a result, the five-

year mortgage rate is expected to average 8.8 per cent this year and next, down from 9.2 per cent last year. For the one-year rate, the expected average for this year is 7.4 per cent this year and 7.8 per cent in 1997. This will also be lower than last year's actual average of 8.4 per cent.

Advances in starts of single-detached dwellings . . . indicate that the worst is over for the new construction market.

Housing Outlook

Brighter prospects for single-detached homes

Advances in starts of single-detached dwellings in the two most recent quarters indicate that the worst is over for the new construction market. Progress from this point, however, is likely to be very slow, at least this year. The healthy current level of activity in the resale market is likely to ease when mortgage rates rise as expected later this year.

There is positive support from several directions. If the pace of economic activity accelerates as expected, higher employment levels will gradually result. Mortgage rates are lower than they have

been in the last two years, and although they are expected to go up, the rise should be limited. The resale market has been more active for several quarters now. Finally, inventory is still shrinking, especially for single- and semi-detached homes.

The key problem is lagging demand. Some time will be needed before higher employment levels start lifting consumer optimism. Improvement is coming, but it should be slow. The resale market provides an indication. Although sales have improved with favourable interest rates, current sales are still below the peak levels reached earlier during the 1990s.

Total housing starts are forecast to reach 112,300 this year, essentially the same level as in 1995. Next year, we expect starts to increase somewhat to 119,100 units as a result of the cumulative impact of improving economic conditions and active resale markets.

In spite of the improvement, construction figures for single-detached homes remain low this year. The total is expected to reach 72,200 units, up 12.1 per cent from a low of 64,425 in 1995. A further moderate gain, to 76,800 units, is expected next year. The gains will be mostly in Ontario, British Columbia and the Prairies.

Multiple construction is expected to suffer a further drop this year, with starts falling 13.6 per cent to 40,200. Building will slow further because of high inventories of new condo units and high vacancies in the rental market. The exceptions this year will be Manitoba and New Brunswick, where construction will be up slightly. Next year, multiple starts are expected to rise by 5.2 per cent, to 42,300 units.

While new construction is not expected to rebound significantly until 1997, the resale market should post an enviable advance this year, to 286,400 units, up 9.2 per cent from 1995. A further, moderate increase to 293,500 units is expected for next year, as higher mortgage rates, particularly at the beginning of the year, will cap the recovery. Although these levels of activity are an improvement over 1995, they remain lower than the levels reached during each year between 1991 and 1994, itself an indication of short-fall in demand.

The average MLS price is expected to remain around \$150,000 this year and next, not much different from 1995. The relatively stable national average is the net result of moderate advances in most provinces and a continued correction in the B.C. market.

Regional Outlook

Best outlook in Ontario and Prairie region

The Ontario market can expect a significant increase overall, with total starts rising nearly 9 per cent to 39,000 units this year and still further in 1997. While demand is improving, it remains slow: there will be a fairly limited rise of 6.5 per cent in MLS sales this year and 1.6 per cent in 1997. The starts forecast is mostly a reflection of a market with very lean supplies — low vacancy rates, low inventories and few projects under construction. In such an environment, any increase in demand requires more starts. It is mainly single-detached starts that will contribute to higher construction activity.

In British Columbia, the adjustment from the peak level of activity of the last two years is not completed. High inventories of condominium units and the completion of more projects will cause a significant drop in starts of multiple units this year before they stabilize in 1997. Demand for single family homes is rising, and with inventories under control, new construction will increase somewhat this year and next. Total starts are expected to drop by 12 per cent to 23,900 this year before rising somewhat in 1997.

In Quebec, there is still a good backlog of demand, but abundant supplies mean that most of that demand can be satisfied with current inventories. As a result, new construction is expected to be up only marginally this year and next, offsetting only a small part of the drop in activity suffered in 1995. A brighter spot will be the impact of continuing demand by first-time buyers on the resale market. Unit sales are expected to jump 14 per cent this year, with a further advance in 1997.

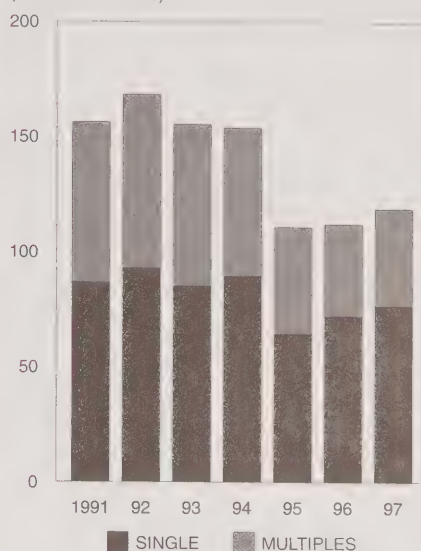
In the Prairie region, good demand in Alberta will boost new construction both this year and next, mainly for single-family homes. A surplus inventory of condominium units will result in a further construction drop for this type of dwellings. The prospects in Saskatchewan and Manitoba point to limited improvement in demand. New construction will do slightly better in the latter province following the huge drop suffered last year.

New Brunswick is expected to show the best performance in the Atlantic region this year after a difficult year in 1995. Nova Scotia has experienced a delayed cycle, and new construction is expected to fall again this year. Markets in

Brighter prospect for single-detached homes

Housing starts by type – Canada

(thousands of units)

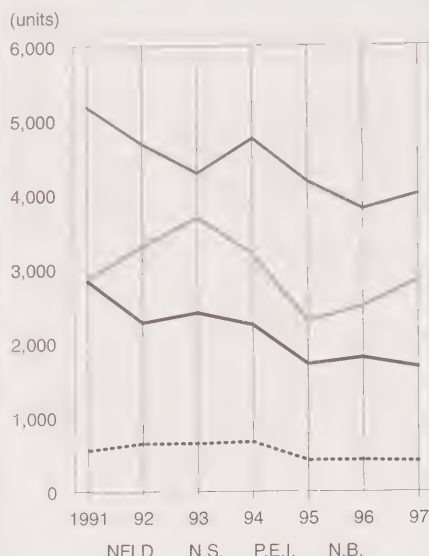


SOURCE: CMHC.
1996-97 Forecast.

Newfoundland and Prince Edward Island are expected to be fairly stable following a sharp drop in 1995. This pattern reflects the end of construction of major investment projects. ■

PROVINCIAL HOUSING OUTLOOKS

Housing Starts Atlantic Region



SOURCE: CMHC.
1996-97 Forecast.

NEWFOUNDLAND

Housing markets benefit from improved affordability

Housing demand recorded healthy growth during the early part of 1996. This reflected improvement in both affordability and consumer optimism. With both new and existing homes recording gains from a year earlier, the increase in demand was broad based.

Residential construction had its best performance in three years, thanks to favourable weather conditions and reduced inventories of new single-detached homes. As a result, housing starts significantly outpaced those in the first quarter of 1995. Given the outlook for continued high levels of out-migration and further cutbacks in government spending, these gains are not likely to be sustained for the

remainder of the year. While housing starts are expected to post slight gains this year, at 1,800 units, activity will remain at low levels.

The existing homes market also posted a solid performance during the first quarter, with total provincial MLS sales jumping more than 37 per cent over the dismal 1995 showing. Pent-up demand and an abundant supply of affordable housing contributed to the surge in existing house sales. The substantial shift in home buying to the early part of the year will limit activity in the second half. MLS sales are forecast to increase to 1,800 units in 1996. More sales in the move-up market and improved affordability will result in a 1.0 per cent rise in the average MLS house price.

Persistently high out-migration, a weak job market and the full effects of government cutbacks implemented in 1996 will continue to suppress demand for new housing next year, with starts expected to decline to 1,675 units. In contrast, MLS sales next year are forecast to remain substantially unchanged from 1996 levels as the resale market continues to benefit from cost advantages associated with the purchase of existing homes.

PRINCE EDWARD ISLAND

New construction is steady on the Island

New home construction and the resale market are off to a much better start this year than last, but the current pace is not expected to continue all year. Therefore, the forecast has not changed dramati-

cally since the first quarter. Higher average resale prices are expected because more expensive homes are selling well in most locations. Expensive homes continue to move slowly, but excellent prices and lower mortgage rates are encouraging buyers to get as much house as possible.

Higher average resale prices are expected in P.E.I. because more expensive houses are selling well.

The employment level in P.E.I. will remain similar to that of 1995 until the middle of next year, when fixed link activity will be winding down. In the last half of 1997, a combination of direct and indirect job losses will cause a drop in employment of almost 4 per cent. Consumers are expected to be cautious until they see what happens after the link project is completed. A number of smaller developments will begin over the next three years. The time between link construction shutdown and the start of other projects will have a significant influence on consumer confidence.

NOVA SCOTIA

First-time buyers are active in Nova Scotia

The year began at a relatively brisk pace for the housing industry. Threatened increases in mortgage rates and a March 31 deadline for the Provincial Sales Tax (PST) Rebate Program pressured consumers into making decisions during a season which is often slow.

Although existing home sales broke records in the first quarter of 1996, activity is expected to slow down for the rest of the year and to mirror the pattern set in 1995. The forecast continues to call for slight declines overall in 1996 and 1997. Average prices are unchanged or are declining slightly as first-time buying activity continues to lead pricing in the market.

The resale market has been especially attractive for first-time buyers. In spite of continued low consumer confidence, many have taken advantage of historically low mortgage rates to purchase modestly priced houses. Activity at the middle and upper end of the market is somewhat sluggish, particularly for high priced homes. This weakness at the high end of the market is pushing prices down and broadening the selection of housing for buyers who wish to move up or satisfy changed needs.

During the first quarter of 1996, builders taking advantage of the PST Rebate Program were relatively busy putting in footings and lot sales were brisk. However, building permit activity is at a historically low level and two long-time contractors went bankrupt. Still, construction is expected to maintain a steady pace during the second quarter, and building is

forecast to stay on track for 3,800 units in 1996.

The wild cards in the provincial housing outlook are the recent tax change announcements. It is not yet clear how extending the PST rebate on housing into 1997 and broadening the tax base early next year will affect housing demand. However, if anything, these changes will encourage potential home buyers to make their decisions this year, before the tax advantages are lost.

As a result of increasing rental vacancy rates, apartment construction is slowing. The start dates for many proposed projects have been delayed while developers search for viable market segments. Projects in prime locations and those aimed at specific niche markets stand the best chance of success in the long term.

NEW BRUNSWICK

Busy resale market will stimulate new building

Realtors across the province are busier this spring than they have been in years. The large selection of homes at discounted prices is bringing many home buyers off the sidelines. A strong flow of homes onto the market has pushed the inventory of active listings to near-record highs and kept prices down. As robust sales continue into the summer months and selection dwindles, prices will begin to recover. Sales will remain up 9 per cent for the year despite an autumn lull in buying activity as a result of higher interest rates.

After a slow spring in the new construction market, home builders will play catch-up for the rest of the year. Bargain prices for existing homes will frustrate early season efforts to market new

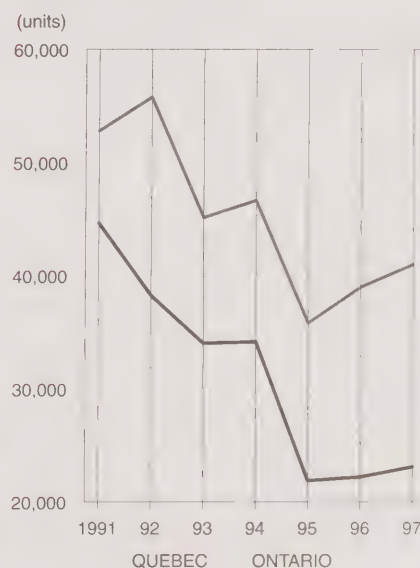
homes and it will be summer before builders get busy. While first-time buyers will be out shopping again this year, equity-rich, move-down clients will be increasingly showing up in the order books. Demand by these clients for row and other multi-family housing forms will keep developers busy looking for well-located building sites. Rising vacancy rates in many rental markets, however, will keep the lid on apartment construction this year.

QUEBEC

Slight recovery to start the year

The residential construction sector is gradually becoming less lethargic. The number of housing starts rose in Quebec for the third consecutive quarter. With an increase of 3.8 per cent, home building rose from 21,200 units in the last quarter of 1995 to 22,000, at the seasonally adjusted annual rate (SAAR) in the first quarter of 1996.

**Housing Starts
Quebec and Ontario**



SOURCE: CMHC.
1996-97 Forecast.

A greater proportion of residential development is taking place in towns and villages. Rural areas now account for 33 per cent of new home building, compared with 15 per cent ten years ago. This trend includes intensified construction in resort areas and rural zones near traditional urban centres. During the first quarter of this year, the number of new housing units in rural areas jumped by 34 per cent, while urban centres posted a 30 per cent decline.

We are continuing to forecast modest growth in new home building, to 22,200 units in 1996 and 23,100 units in 1997, mainly smaller single-detached, semi-detached and row houses priced at under \$110,000. Rental and condominium construction will be reduced because large surpluses of existing apartments remain for rent and sale.

A slight improvement in the resale market over the past few months has given new hope to many sellers. Traditionally, this market has been able to take immediate advantage of interest rate declines, and the first few months of the year are always more active. After increasing by 35 per cent during the first quarter of this year, sales activity will revert to a more sustainable pace over the next few months. MLS sales for this year are estimated at 34,500 units, which will represent a 15 per cent gain over last year. The potential for MLS price growth, however, will be limited to only 1.0 per cent per year because many homes are on the market and the greatest demand is for less expensive houses.

ONTARIO

Housing will pick up moderately

The number of Ontario's first quarter home starts moved down, in sharp contrast to those in the rest of Canada. A significant increase in single-detached starts reflected stronger resale activity. However, that increase was offset by declines in multiple starts and rural construction. A good part of the decline in multiple starts was in Toronto, where recent job growth has been sluggish and bricklayers were on strike.

Ontario's government announced a land transfer tax rebate of up to \$1,725 to first-time buyers purchasing new homes by March 31, 1997. The rebate on a typical new starter home priced at about \$150,000 will be \$1,225. It is likely to have a limited stimulative effect on new home construction.

Housing starts will pick up moderately in the next two years as jobs increase and consumer confidence grows. There is a limited supply of completed and unoccupied homes and homes under construction, so residential construction can be expected to increase as demand improves. Single starts will rise the most, even though higher mortgage rates next year will slow their pace of growth.

Multiple starts will dip this year as assisted rental construction drops off. Falling vacancy rates will stimulate private rental construction, and condominium construction will edge up in response to stronger sales and lower inventories. Increases in private rental and condominium starts will not be enough to offset the reduction in assisted housing.

Housing demand has been weak, especially in light of moderately high net migration to the province. One reason is that new immigrants, who comprise the largest component of migration, typically rent first and move into home ownership only after several years.

Another reason for weak demand relates to income and job patterns. Jobs in the 1990s have not kept up with population growth; and, while job creation progressed at a good pace in the first quarter, it was mostly part-time work. Private sector job creation over the next two years will be partially offset by the substantial job losses that will follow reductions in government spending.

Excellent affordability and low mortgage rates have boosted sales of resale homes. While the pace will taper off in the second half of the year, the total number of resales in Ontario will be higher this year. Average resale home prices will increase modestly, at less than the general rate of inflation.

MANITOBA

Upturn in resales paves way for resurgence of new construction

Housing starts failed to ignite in Manitoba during the first quarter, as harsh weather conditions and wary consumers kept demand in low gear. Total starts dropped by nine per cent, with improved multiple activity helping to counter the lower number of singles.

On the bright side, the provincial economy continued to generate new jobs, and resale markets showed a positive turnaround from last year's slow first quarter. In Winnipeg, average resale prices climbed by over 4.0 per cent

between January and March with a resurgence in sales of trade-up homes priced in the \$125,000 to \$150,000 range. Greater absorption also helped builders whittle away at an inventory of unsold new singles that had plagued them throughout much of the second half of 1995. Further improvement will be limited by government cutbacks at all levels and resulting concerns over job security and income growth.

New housing activity will improve substantially during the second quarter, although severe spring flooding will keep some communities off balance during April. With resales on the upswing and new inventories headed downward, stronger construction can be expected in most communities. As well, falling interest rates will help to keep the cost of home ownership affordable.

While single starts in the province will rise to 1,700 units this year, production in the Winnipeg CMA will barely exceed 900 as the city continues to experience a

reduced proportion of activity. Multiple starts will see modest gains although the percentage increases will appear impressive. Life lease and condominium projects targeted at seniors will dominate multiple activity both this year and in 1997. Move-down buyers will also spur activity in condo bungalows and semi-detached units in Winnipeg and Brandon. Resales will pick up throughout the year, and prices should rise as move-up sales improve.

SASKATCHEWAN

Resale and new home markets very active at beginning of 1996

Healthy gains in the natural resource and manufacturing industries resulted in increased economic activity in Saskatchewan during the first quarter of 1996. The returns from a strong year in agriculture also became evident early this year. Despite the increased economic activity, employment for the province declined by 3,000. Declines in agriculture and transportation were only partially offset by job growth in other primary and manufacturing sectors.

Despite job losses in the first quarter, strong economic activity in the province boosted the confidence of consumers enough to bring them into the housing market. The resale market, which ended 1995 on a slow note, experienced a 21 per cent increase in sales for the first quarter. Leading the way were Regina with 672 sales and Saskatoon with 683. With the year's good start, resale activity should reach 7,375 by year end. House prices in Saskatoon, which topped \$83,000,

Even with the harsh weather, home builders in Saskatchewan were active and starts were up.

resulted in a provincial increase of 6.8 per cent, to \$74,621.

Even with the harsh weather through much of the quarter, home builders in Saskatchewan were active and there were 324 starts, up from 144 in 1995. A strong local economy in Saskatoon, riding a wave of consumer confidence, contributed 180 of the 324 homes built in the province. Activity also rose significantly in rural Saskatchewan: rising farm incomes and a strong natural resource sector led to 88 housing starts during the quarter, up from a historic low of only six starts last year. Even when residential construction in Saskatoon begins to slow later this year, there will be increased activity around the province, and 1,700 starts are expected in 1996.

ALBERTA

Robust spring sales season boosts new and resale markets

Alberta housing markets showed a solid recovery in the first quarter despite record cold temperatures. The recovery was led by the MLS market, which experienced a 30 per cent increase in volumes over the same period last year and a

Housing Starts
Manitoba and Saskatchewan



SOURCE: CMHC.
1995-97 Forecast.

3.0 per cent increase in prices. Starts were slower and ended the first quarter down 2.0 per cent from last year, but rising traffic in show homes promises a strong spring sales season in new construction as well. Markets are being supported by the re-emergence of move-up buyers who were sidelined by higher mortgage rates and bleak employment prospects last year.

Confidence returned to Alberta this year, especially in Edmonton, where provincial government restructuring is for the most part complete, and the expansion of CFB Edmonton will provide a much-needed lift to housing demand. Increased demand for housing across the province has helped reduce new and resale inventories to more reasonable levels than existed at the same time last year.

The outlook for the Alberta economy has improved since our first quarter forecast. The announcement of several large-scale projects will increase employment significantly during the balance of 1996 and into 1997. Construction is scheduled to begin on heavy oil projects in the Cold Lake and Fort McMurray areas this year, with investment to total over \$3.5 billion over the next five to ten years. Central Alberta will benefit from the investment of some \$2 billion on petrochemical projects beginning next year. Stronger prices for both oil and gas have increased investment, and over 11,000 new wells are expected in 1996. Migration to the province is showing much improved performance, a pattern we expect to continue for several years.

As a result, we expect much more buoyant markets. Resale markets will increase 17 per cent this year, as low interest rates and

prices make housing very attractive to purchasers. Favourable economic conditions and a strengthening resale market will boost single-family starts by 13 per cent. Construction of new condominiums, however, will remain suppressed by the weight of persistently high inventories of unsold units and result in an 11 per cent decline in multiple activity. The outlook will continue to improve in 1997, as inventory reductions and more solid economic performance raise both resale and new activity. Demand for rental housing will improve as well, as migration strengthens and new jobs entice people back to Alberta.

BRITISH COLUMBIA

Moderate sales recovery unfolding

Housing sales volume has been rising at a moderate, though sometimes faltering, pace since dropping to a cycle low about a year ago. Stop-and-go sales have followed mortgage rate ups and downs, while slower economic and population growth has resulted in a below-average recovery.

Affordability has improved in the past year: mortgage rates and housing prices are lower, and first-time buyers are now a driving force behind the emerging sales recovery. However, because these buyers are very sensitive to mortgage rate swings, the market is quite vulnerable.

A near-record supply of housing on the market outnumbers sales by a wide margin, about seven to one. This imbalance causes prices to decline, and there has been a gradual and steady erosion since prices peaked in 1994.

Market conditions are excellent for buyers but poor for sellers.

Housing construction is at low levels as builders and developers continue to make progress in reducing unwanted inventory. New unsold inventory is past its peak for this cycle and is steadily falling. The inventory adjustment process has the farthest to go in apartment condominiums. In contrast, more new construction is beginning in single-family housing and row condominiums.

The demand outlook is clouded by the mortgage rate hikes anticipated over the next several months that will be only partially offset by lower housing prices. Clearly, these developments will worsen affordability and slow down sales. As a result, construction of apartment condominiums will decline further and ground-oriented housing starts will likely sputter. The prognosis for 1997 is somewhat better, as declining mortgage rates are expected, along with an improved economic growth rate and reduced housing supply. ■

**Housing Starts
Alberta and British Columbia**



SOURCE: CMHC.
1996-97 Forecast.

Housing Starts

Total
(units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 2836 | 2271 | 2405 | 2243 | 1712 | 1800 | 1675 |
| % | -12.6 | -19.9 | 5.9 | -6.7 | -23.7 | 5.1 | -6.9 |
| PEI | 553 | 644 | 645 | 669 | 422 | 425 | 410 |
| % | -27.4 | 16.5 | 0.2 | 3.7 | -36.9 | 0.7 | -3.5 |
| NS | 5173 | 4673 | 4282 | 4748 | 4168 | 3800 | 4000 |
| % | -7.0 | -9.7 | -8.4 | 10.9 | -12.2 | -8.8 | 5.3 |
| NB | 2872 | 3310 | 3693 | 3203 | 2300 | 2500 | 2850 |
| % | 7.0 | 15.3 | 11.6 | -13.3 | -28.2 | 8.7 | 14.0 |
| QUE | 44654 | 38228 | 34015 | 34154 | 21885 | 22200 | 23100 |
| % | -7.1 | -14.4 | -11.0 | 0.4 | -35.9 | 1.4 | 4.1 |
| ONT | 52794 | 55772 | 45140 | 46645 | 35818 | 39000 | 41000 |
| % | -15.7 | 5.6 | -19.1 | 3.3 | -23.2 | 8.9 | 5.1 |
| MAN | 1950 | 2310 | 2425 | 3197 | 1963 | 2150 | 2450 |
| % | -40.9 | 18.5 | 5.0 | 31.8 | -38.6 | 9.5 | 14.0 |
| SASK | 998 | 1869 | 1880 | 2098 | 1702 | 1650 | 1700 |
| % | -29.6 | 87.3 | 0.6 | 11.6 | -18.9 | -3.1 | 3.0 |
| ALTA | 12492 | 18573 | 18151 | 17692 | 13906 | 14900 | 16300 |
| % | -27.5 | 48.7 | -2.3 | -2.5 | -21.4 | 7.1 | 9.4 |
| BC | 31875 | 40621 | 42807 | 39408 | 27057 | 23900 | 25600 |
| % | -13.2 | 27.4 | 5.4 | -7.9 | -31.3 | -11.7 | 7.1 |
| CAN | 156197 | 168271 | 155443 | 154057 | 110933 | *112300 | *119100 |
| % | -14.0 | 7.7 | -7.6 | -0.9 | -28.0 | 1.2 | 6.1 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 2135 | 1611 | 1559 | 1455 | 1165 | 1275 | 1125 |
| % | -13.5 | -24.5 | -3.2 | -6.7 | -19.9 | 9.4 | -11.8 |
| PEI | 376 | 421 | 460 | 454 | 364 | 375 | 365 |
| % | -22.2 | 12.0 | 9.3 | -1.3 | -19.8 | 3.0 | -2.7 |
| NS | 2604 | 3232 | 3126 | 3358 | 3040 | 2900 | 3000 |
| % | -28.4 | 24.1 | -3.3 | 7.4 | -9.5 | -4.6 | 3.4 |
| NB | 2154 | 2391 | 2535 | 2547 | 1722 | 1900 | 2200 |
| % | 0.8 | 11.0 | 6.0 | 0.5 | -32.4 | 10.3 | 15.8 |
| QUE | 22531 | 18564 | 17136 | 18414 | 13428 | 13879 | 14500 |
| % | -9.7 | -17.6 | -7.7 | 7.5 | -27.1 | 3.4 | 4.5 |
| ONT | 26290 | 27868 | 26240 | 30036 | 20124 | 24500 | 26000 |
| % | -18.9 | 6.0 | -5.8 | 14.5 | -33.0 | 21.7 | 6.1 |
| MAN | 1589 | 1683 | 1874 | 2441 | 1564 | 1700 | 1950 |
| % | -44.2 | 5.9 | 11.3 | 30.3 | -35.9 | 8.7 | 14.7 |
| SASK | 775 | 1484 | 1342 | 1542 | 1341 | 1325 | 1350 |
| % | -28.7 | 91.5 | -9.6 | 14.9 | -13.0 | -1.2 | 1.9 |
| ALTA | 9778 | 14125 | 13040 | 12671 | 10096 | 11500 | 12400 |
| % | -29.2 | 44.5 | -7.7 | -2.8 | -20.3 | 13.9 | 7.8 |
| BC | 18335 | 21472 | 17787 | 16591 | 11581 | 12800 | 13900 |
| % | -0.8 | 17.1 | -17.2 | -6.7 | -30.2 | 10.5 | 8.6 |
| CAN | 86567 | 92851 | 85099 | 89509 | 64425 | *72200 | *76800 |
| % | -15.4 | 7.3 | -8.3 | 5.2 | -28.0 | 12.1 | 6.4 |

Multiples (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 701 | 660 | 846 | 788 | 547 | 525 | 550 |
| % | -9.8 | -5.8 | 28.2 | -6.9 | -30.6 | -4.0 | 4.8 |
| PEI | 177 | 223 | 185 | 215 | 58 | 50 | 45 |
| % | -36.6 | 26.0 | -17.0 | 16.2 | -73.0 | -13.8 | -10.0 |
| NS | 2569 | 1441 | 1156 | 1390 | 1128 | 900 | 1000 |
| % | 33.7 | -43.9 | -19.8 | 20.2 | -18.8 | -20.2 | 11.1 |
| NB | 718 | 919 | 1158 | 656 | 578 | 600 | 650 |
| % | 31.5 | 28.0 | 26.0 | -43.4 | -11.9 | 3.8 | 8.3 |
| QUE | 22123 | 19664 | 16879 | 15740 | 8457 | 8321 | 8600 |
| % | -4.3 | -11.1 | -14.2 | -6.7 | -46.3 | -1.6 | 3.4 |
| ONT | 26504 | 27904 | 18900 | 16609 | 15694 | 14500 | 15000 |
| % | -12.3 | 5.3 | -32.3 | -12.1 | -5.5 | -7.6 | 3.4 |
| MAN | 361 | 627 | 551 | 756 | 399 | 450 | 500 |
| % | -19.8 | 73.7 | -12.1 | 37.2 | -47.2 | 12.8 | 11.1 |
| SASK | 223 | 385 | 538 | 556 | 361 | 325 | 350 |
| % | -32.4 | 72.6 | 39.7 | 3.3 | -35.1 | -10.0 | 7.7 |
| ALTA | 2714 | 4448 | 5111 | 5021 | 3810 | 3400 | 3900 |
| % | -20.6 | 63.9 | 14.9 | -1.8 | -24.1 | -10.8 | 14.7 |
| BC | 13540 | 19149 | 25020 | 22817 | 15476 | 11100 | 11700 |
| % | -25.8 | 41.4 | 30.7 | -8.8 | -32.2 | -28.3 | 5.4 |
| CAN | 69630 | 75420 | 70344 | 64548 | 46508 | *40200 | *42300 |
| % | -12.2 | 8.3 | -6.7 | -8.2 | -27.9 | -13.6 | 5.2 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1892 | 1829 | 1867 | 1873 | 1655 | 1800 | 1800 |
| % | -5.3 | -3.3 | 2.1 | 0.3 | -11.6 | 8.8 | 0.0 |
| PEI | 764 | 604 | 654 | 599 | 476 | 500 | 480 |
| % | 3.0 | -20.9 | 8.3 | -8.4 | -20.5 | 5.0 | -4.0 |
| NS | 5811 | 6958 | 7180 | 7140 | 7019 | 6900 | 6800 |
| % | -4.3 | 19.7 | 3.2 | -0.6 | -1.7 | -1.7 | -1.4 |
| NB | 3259 | 3550 | 3483 | 3339 | 3496 | 3800 | 3800 |
| % | -1.7 | 8.9 | -1.9 | -4.1 | 4.7 | 8.7 | 0.0 |
| QUE | 28005 | 31946 | 31875 | 33575 | 29824 | 34000 | 34500 |
| % | -0.2 | 14.1 | -0.2 | 5.3 | -11.2 | 14.0 | 1.5 |
| ONT | 126143 | 131380 | 121558 | 130360 | 115512 | 123000 | 125000 |
| % | 22.7 | 4.2 | -7.5 | 7.2 | -11.4 | 6.5 | 1.6 |
| MAN | 9521 | 11383 | 10556 | 10825 | 9749 | 10000 | 10150 |
| % | 1.8 | 19.6 | -7.3 | 2.5 | -9.9 | 2.6 | 1.5 |
| SASK | 6505 | 7829 | 7375 | 7459 | 7349 | 7375 | 7500 |
| % | 1.6 | 20.4 | -5.8 | 1.1 | -1.5 | 0.4 | 1.7 |
| ALTA | 34360 | 38545 | 37024 | 32512 | 29098 | 34000 | 36500 |
| % | 3.9 | 12.2 | -3.9 | -12.2 | -10.5 | 16.8 | 7.4 |
| BC | 84554 | 93564 | 80919 | 75270 | 58082 | 65000 | 67000 |
| % | 45.7 | 10.7 | -13.5 | -7.0 | -22.8 | 11.9 | 3.1 |
| CAN** | 300814 | 327588 | 302491 | 302952 | 262260 | *286400 | *293500 |
| % | 20.4 | 8.9 | -7.7 | 0.2 | -13.4 | 9.2 | 2.5 |

Average Residential Price (dollars and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 90822 | 92137 | 91243 | 91697 | 89525 | 90500 | 91000 |
| % | 2.4 | 1.4 | -1.0 | 0.5 | -2.4 | 1.1 | 0.6 |
| PEI | 71033 | 75570 | 72422 | 78753 | 73807 | 76000 | 75000 |
| % | 2.5 | 6.4 | -4.2 | 8.7 | -6.3 | 3.0 | -1.3 |
| NS | 86462 | 87685 | 88965 | 91109 | 89788 | 91000 | 92000 |
| % | 2.1 | 1.4 | 1.5 | 2.4 | -1.4 | 1.4 | 1.1 |
| NB | 80897 | 82478 | 84951 | 84149 | 83993 | 83000 | 84000 |
| % | 4.0 | 2.0 | 3.0 | -0.9 | -0.2 | -1.2 | 1.2 |
| QUE | 102795 | 102311 | 102447 | 102242 | 98837 | 100000 | 101000 |
| % | 2.0 | -0.5 | 0.1 | -0.2 | -3.3 | 1.2 | 1.0 |
| ONT | 173723 | 162827 | 157672 | 161165 | 154997 | 156000 | 158000 |
| % | -1.2 | -6.3 | -3.2 | 2.2 | -3.8 | 0.6 | 1.3 |
| MAN | 80445 | 80686 | 81739 | 83761 | 81897 | 83500 | 84500 |
| % | 0.6 | 0.3 | 1.3 | 2.5 | -2.2 | 2.0 | 1.2 |
| SASK | 67697 | 68406 | 70698 | 72738 | 73796 | 75000 | 76000 |
| % | -1.8 | 1.0 | 3.4 | 2.9 | 1.5 | 1.6 | 1.3 |
| ALTA | 111482 | 113558 | 117085 | 117336 | 114772 | 117500 | 119500 |
| % | 2.6 | 1.9 | 3.1 | 0.2 | -2.2 | 2.4 | 1.7 |
| BC | 168235 | 189999 | 211992 | 229514 | 221911 | 215000 | 212000 |
| % | 6.7 | 12.9 | 11.6 | 8.3 | -3.3 | -3.1 | -1.4 |
| CAN** | 149749 | 150756 | 153583 | 158878 | 150722 | *150500 | *151200 |
| % | 4.4 | 0.7 | 1.9 | 3.4 | -5.1 | -0.1 | 0.5 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly percentage change)

| | 94:Q3 | 94:Q4 | 95:Q1 | 95:Q2 | 95:Q3 | 95:Q4 | 96:Q1 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 149.4 | 139.0 | 124.4 | 112.6 | 114.4 | 105.9 | 130.8 |
| % | -14.5 | -7.0 | -10.5 | -9.5 | 1.6 | -7.4 | 23.5 |
| Housing starts, total, thousands | 155.7 | 138.9 | 122.3 | 106.8 | 104.2 | 110.3 | 112.6 |
| % | -7.1 | -10.8 | -12.0 | -12.7 | -2.4 | 5.9 | 2.1 |
| Housing starts, singles, thousands | 93.9 | 77.1 | 69.8 | 61.3 | 60.6 | 65.5 | 69.1 |
| % | -5.9 | -17.9 | -9.5 | -12.2 | -1.1 | 8.1 | 5.5 |
| Housing starts, multiples, thousands | 61.8 | 61.8 | 52.5 | 45.5 | 43.6 | 44.8 | 43.5 |
| % | -8.8 | 0.0 | -15.0 | -13.3 | -4.2 | 2.8 | -2.9 |
| Housing completions, total, thousands | 175.6 | 159.5 | 134.5 | 124.4 | 109.3 | 109.7 | 114.1 |
| % | 7.4 | -9.2 | -15.6 | -7.5 | -12.2 | 0.5 | 4.0 |
| New house price index, 1986=100 | 136.0 | 135.9 | 135.8 | 134.8 | 134.1 | 133.3 | .. |
| % | 0.0 | 0.0 | -0.1 | -0.7 | -0.5 | -0.6 | .. |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 268.6 | 276.6 | 228.1 | 254.9 | 297.6 | 268.5 | 291.4 |
| % | -17.0 | 3.0 | -17.6 | 11.7 | 16.8 | -9.8 | 8.5 |
| MLS average resale price, \$C thousands | 160.6 | 157.8 | 151.0 | 149.0 | 151.9 | 150.1 | 147.3 |
| % | 0.5 | -1.7 | -4.4 | -1.3 | 1.9 | -1.1 | -1.9 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 327.9 | 330.6 | 333.4 | 334.5 | 336.4 | 339.4 | .. |
| % | 1.6 | 0.8 | 0.9 | 0.3 | 0.6 | 0.9 | .. |
| Mortgage approvals, \$C billions | 57.2 | 55.4 | 46.3 | 52.2 | 65.3 | 54.5 | .. |
| % | -24.5 | -3.2 | -16.3 | 12.6 | 25.0 | -16.5 | .. |
| 1-year mortgage rate, per cent* | 8.38 | 8.50 | 9.63 | 8.50 | 7.96 | 7.42 | 6.75 |
| 5-year mortgage rate, per cent* | 10.30 | 10.10 | 10.34 | 8.96 | 8.80 | 8.53 | 8.03 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 32.2 | 31.2 | 29.3 | 28.1 | 27.5 | 27.0 | .. |
| % | -5.1 | -3.1 | -6.1 | -4.2 | -2.0 | -1.7 | .. |
| New, \$1986 billions | 15.8 | 14.6 | 13.6 | 12.3 | 11.1 | 11.1 | .. |
| % | -1.9 | -7.4 | -6.7 | -10.0 | -9.9 | 0.7 | .. |
| Alterations, \$1986 billions | 10.7 | 10.6 | 10.8 | 10.3 | 10.1 | 10.0 | .. |
| % | -2.6 | -1.3 | 2.0 | -4.3 | -2.1 | -1.1 | .. |
| Transfer costs, \$1986 billions | 5.7 | 6.0 | 4.9 | 5.5 | 6.4 | 5.9 | .. |
| % | -16.6 | 5.2 | -19.1 | 12.4 | 16.0 | -6.6 | .. |
| Deflator, 1986=100 | 139.5 | 140.1 | 138.7 | 139.3 | 141.9 | 139.9 | .. |
| % | 0.2 | 0.4 | -1.0 | 0.4 | 1.9 | -1.4 | .. |

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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THIRD QUARTER, 1996**

Forecast prepared August, 1996

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ABLE OF CONTENTS

| | |
|------------------------------------|----|
| Executive Summary | 1 |
| National Housing Outlook | 3 |
| Gilles Proulx | |
| Michel Laurence | |
| Newfoundland | 6 |
| Mac Woodman | |
| Darrin Keough | |
| Prince Edward Island | 8 |
| Ralph Freeze | |
| Nova Scotia | 10 |
| André Moore | |
| Sally Erskine Doucette | |
| New Brunswick | 12 |
| Bruce Read | |
| Laurie Gosselin | |
| Quebec | 14 |
| Kim-Anh Lam | |
| Eric Dallaire | |
| Ontario | 17 |
| Alex Medow | |
| Dallard Runge | |
| Manitoba | 20 |
| Richard Goatcher | |
| Saskatchewan | 22 |
| Paul Caton | |
| Todd Selby | |
| Alberta | 24 |
| Laurie Scott | |
| Karla Spilsted | |
| British Columbia | 26 |
| Helmut Pastrick | |
| Tables | 29 |



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Executive Summary

With momentum building since the beginning of the year, new home building activity will exceed the 1995 level. Total starts are forecast to increase by 11 per cent to 123,000 this year, and rise another eight per cent to 132,700 units next year.

Housing markets across Canada are generally witnessing better supply-demand balance. This, combined with good affordability, should impart a positive trend to new housing starts up to the end of next year. Increases, however, will remain constrained by slow gains in employment and real incomes.

Progress in the supply-demand balance is more advanced in the single-detached market. The inventory of new unoccupied units has been shrinking steadily in the last year, and reached at mid-year its lowest point since early 1988. This means it will be more and more difficult to satisfy additional demand from the standing inventory.

Developments on the resale market also support higher construction. The resale market should post an advance this year, to 301,300 units, up 14.9 per cent from 1995. A further, moderate increase to 306,500 units is expected for next year, as expected higher mortgage rates cap the recovery, particularly at the beginning of the year.

Low inventories and the active resale market could play a powerful role in fueling the continued recovery in single-detached construction. But, the momentum of the recovery will be limited by the job, income and confidence picture. Expectations in these areas, at least over the next several quarters, will lead to a moderate increase in single-detached starts for the forecast period.

NEWFOUNDLAND

The accelerated pace set by the new and existing homes market early in the year is expected to subside in the second half of 1996 as demand is reduced by job losses and out-migration. Rising inventories of newly constructed homes, and an oversupplied resale market, will also limit homebuilding activity this year and in 1997. Housing starts are forecast to increase by 2.2 per cent in 1996, entirely through gains in urban centres. Single-detached starts will increase modestly this year but will remain well below historical levels. Multiple starts will also increase, largely because of strong demand from first-time buyers and an emerging market for seniors' housing. By 1997, however, the full effect of layoffs at the Hibernia site and in the public sector will be felt, and starts are forecast to fall to 1,625 units, the lowest level since 1962.

PRINCE EDWARD ISLAND

P.E.I.'s housing market has rebounded with record high employment, attractive mortgage rates, and a release of pent-up demand. Starts will rise to 545 units this year before falling to 485 units in 1997. Single-detached homes will continue to experience growth in urban centres in 1996 as good borrowing conditions and a surge in demand for new homes will encourage the speculative market. There will be only a slight decline in single-detached homes in 1997. In contrast, the rental market is expected to remain over-supplied through the forecast period. Completion of the bridge to New Brunswick spells a decline in employment and incomes

associated with the project.

Affordability and the tail end of pent-up demand will be balancing factors against the income and employment news.

NOVA SCOTIA

The environment for buying homes in the province has improved with low mortgage rates, affordable house prices and financial incentives. This, combined with employment gains during the first six months of the year, will increase home building to 4,400 units in 1996. Existing home prices will firm up in a range attractive to move-up buyers. By comparison, the number and proportion of competitively priced new homes (built for under \$80,000) will increase. Activity is expected to slow to 3,700 units next year as mortgage rates go up and household formation slows. Demand for rental units is expected to decline as many renters move into ownership.

NEW BRUNSWICK

Home building activity in the province has gained momentum over the first half of 1996. The 50 per cent increase in construction in the first quarter was followed by a 28 per cent rise during the second quarter. With rental vacancy rates still well above equilibrium levels, the homeownership market is largely driving the recovery. Single-family construction in particular, which sank to a record low last year, will rebound this year and next. Multiple construction will remain close to 1995's low levels as employment gains remain limited. Total starts will increase by 13 per cent to 2,600 units this year, with a further advance to 2,700 units next year.

QUEBEC

A better than expected trend in the first half of the year has prompted an upward adjustment in the housing starts forecast. An 11 per cent increase in the total number of housing starts, to 24,300 units, is now expected for 1996. A further rise of 13.2 per cent, to 27,500, is anticipated for 1997. Increased activity on the new home market is supported by rising affordability, a rise in existing home sales and more lenient economic conditions. Increased migration will provide additional support to the housing market. Single-detached home building will be the cornerstone of residential construction performance. Multiple construction will remain close to 1995 levels but with a better balance between supply and demand, particularly in the rental market.

ONTARIO

Total housing starts are expected to rise to 42,300 units in 1996 and 45,000 units in 1997 as jobs increase and consumer confidence grows. Single starts will rise the most, even though higher mortgage rates later this year and next will slow their pace of sales. Multiple-family home construction is predicted to edge down this year as the phase out of government assistance to new social housing units reduces rental construction. Prospects are good for a modest rebound in privately initiated multiple-family home construction in 1997. The challenge to new-home builders is to develop housing that appeals to first-time buyers. Inventories of newly constructed unsold multiple units are so low that increases in demand will be met with new construction. Renters in search of cost-competitive home ownership options will boost private sector row house and townhouse starts this year. Modest increases in condominium starts are anticipated in 1997.

MANITOBA

To mid-year 1996, job creation has been poor with cutbacks in government, health care and education. Nevertheless, the overall positive outlook for economic growth, especially in the farm sector, will help new housing in Manitoba. Total starts will move back above the 2,000 mark this year, with much of the improvement in rural markets. Opportunities for new multiple construction in suburban locations are also set to improve with declining vacancy rates and higher demand. Despite an expected rally in the second half, singles activity in Winnipeg will struggle to match last year's disappointing tally and could approach the record low posted in 1981.

SASKATCHEWAN

Economic activity in Saskatchewan, especially in the resource sector, will remain strong for much of 1996 and 1997. This will help push total housing starts above the 2,000 mark this year with both the single-detached and the multiple segments contributing to the increase. Improved consumer confidence and job security in move-up buyers will be the driving force. A smaller price gap between resale and new home prices, combined with a shortage of listings on the resale market, will also allow first-time buyers to explore the new home market. Activity will accelerate in outlying subdivisions and smaller centres. Despite rent increases in 1996-97, rent levels may not convince many developers to invest in the construction of new rental housing. The number of total starts will retreat moderately in 1997.

ALBERTA

The Alberta economy is poised to set the pace for the rest of the country over the forecast period on the wings of robust exports and more vigorous consumer spending.

These will translate into greater home building. A 15 per cent improvement in residential construction is expected this year to 16,000 units. A further 14 per cent gain next year will come from a more balanced market with additional multiple starts. The single family home market will be strong over the forecast period, increasing 25 per cent by the end of 1996 and a further nine per cent in 1997. Economic growth in rural areas will fuel demand for housing, augmenting strong performance in Calgary and Edmonton. Multiple-family housing construction this year will be dampened by high inventory concerns in Edmonton and Calgary. These concerns are expected to be short-lived as the market improves and strong multiple construction should resume in 1997.

BRITISH COLUMBIA

A moderately growing economy and a slowdown in population growth translate into lower housing demand. Housing construction is expected to fall this year to 26,750 units and to revive somewhat next year to 29,100 units. These activity levels will remain below those seen in the early 1990s. New apartment condominium construction is expected to fall back following a temporary surge in the first half of 1996. The low-rise apartment sector, which has fewer unoccupied units, will experience some construction revival in the second half of 1997.

In the new single-family market, construction is struggling to reach higher levels. The bottom has been reached in this cycle, but the gains are modest and will likely remain so. The high cost of land is the primary obstacle. The more affordable alternative to single family houses, semi-detached and row units, will likely see an increase.■

Canada

by Gilles Proulx
and Michel Laurence

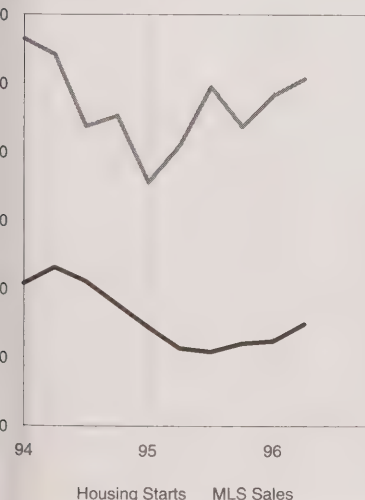


Housing improves during the first half of 1996

Building on the clear momentum of the beginning of the year, housing markets remained busy throughout spring and early summer. Housing starts increased strongly in the second quarter of the year to a seasonally adjusted annual rate of 124,600 units, up from 112,100 units during the first quarter. Sales of existing homes rose to an annual rate of 303,200 on a seasonally adjusted basis during the second quarter of 1996, a level slightly higher than the first quarter rate of 291,100 units.

New construction recovery gains momentum

Housing starts and residential MLS* sales — Canada
(thousands of units, SAAR)



SOURCES: CMHC, Canadian Real Estate Association. Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

The resale market has now experienced a fifth quarter of improved activity since the trough of the first quarter of 1995. Sustained strong activity has coincided with a nearly 6.0 per cent reduction in new listings at mid year. All regions reported fewer listings, with the decline ranging from 4.1 per cent in the Atlantic region, to 9.9 per cent in the Prairie region.

As a result, prices are beginning to move up. During the second quarter, the average price of homes sold was somewhat higher than a year ago, reflecting a combination of shifting market activity toward more expensive homes and rising prices for similar homes. Prices were stable in Quebec and Ontario and rose in all other regions.

The new construction market provided the clearest signs so far of recovery from the 1995 slump. Earlier increases from the third quarter 1995 low had been much smaller. Starts of single-detached homes increased from 69,000 units SAAR to 79,400, a third consecutive quarterly gain. Even multiple starts increased, although moderately, from 43,100 units SAAR to 45,200, close to the same level they have maintained since the spring of 1995. All regions contributed to the higher level of new construction.

The new construction market has benefited from a sharp reduction in inventories of newly completed and unoccupied units since the beginning

of the year. At mid year, the inventory of new units stood at its lowest level since the beginning of 1988, an eight-and-a-half-year low. While this result reflected much lower levels of new construction over the past 18 months, it is also due to a modest recovery in underlying demand.

In this context of slowly rising demand, it is not surprising to notice that prices have not yet benefited from the rebound in activity on the new home market. At mid year, the New House Price Index was 2.5 per cent lower than a year ago. Price weakness was widespread, with 15 out of 20 metropolitan areas showing lower prices.

1996-97 Outlook

Economy continues to grow at moderate pace

Growth prospects for the Canadian economy remain moderately positive for the next 12 to 18 months. Government restraint programs which have reduced financing requirements, along with low inflation, are giving the Bank of Canada more manoeuvring room for setting domestic interest rates. In short, the net impact of policy adjustments of the last few years is turning positive, with the benefit of monetary ease beginning to offset the cost of fiscal tightness.

This development is of direct benefit to mortgage rates and

The Long-Term Housing Outlook: Household Growth in Canada and the Provinces, 1991-2016

Demand for housing is the product of many factors, including the state of the economy, changing consumer preferences and population trends. This article deals with the effects of population trends.

Based on the most likely changes in the size, age structure, and living arrangements of the population, CMHC has developed several scenarios for housing demand between now and 2016. Although some projections suggest a rebound in the number of new households over the next five years, all point to fewer new households over the long run.

Smaller increases in the size of the population, combined with an aging population, largely explain the moderating trend in household formation. The annual rate of population growth is expected to drop from an average of just under 1.3 per cent in the 1991-96 period to 0.8 per cent in 2011-16. As well, with the aging of the population, the majority of the large baby boom group either already has or shortly will have formed new households.

Future new households will also have very different characteristics. The difficult labour market facing young Canadians will limit the number of households with main bread winners aged 34 or younger. Household size will shrink further, although not to the extent that we have seen since 1961. There will be more non-family households (people living alone or with other unrelated individuals). Finally, new owners will outnumber new renters over the next five years.

The chief implication is that housing starts are due to increase over the next five years relative to the low levels seen in 1995. Our starts forecast of 123,000 units in 1996 and 132,700 units in 1997 reflect this underlying demographic demand, but remains below potential because of several unfavourable economic conditions.

The number and characteristics of new households over the next 25 years have important implications for builders, realtors, renovators, building material suppliers and others. The forthcoming CMHC report "The Long-Term Housing Outlook: Household Growth in Canada and the Provinces, 1991-2016" will provide invaluable insights to all. It will have data on several provincial and national scenarios, and it will analyse population trends, household formation, composition, tenure and dwelling type choices.

Average Annual Household Growth

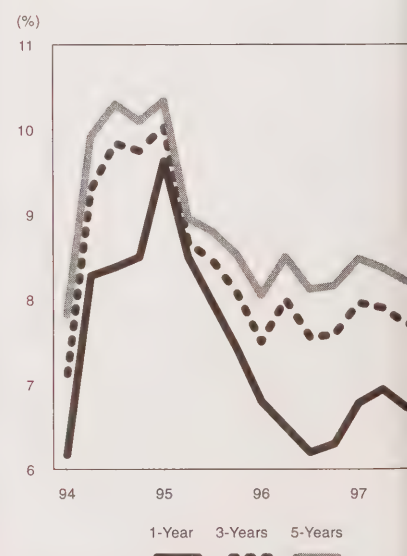
| Scenario | 1991-1996 | 1996-2001 | 2001-2006 | 2006-2011 | 2011-2016 |
|----------|-----------|-----------|-----------|-----------|-----------|
| Low | 147,300 | 140,800 | 141,700 | 139,200 | 134,300 |
| Medium | 147,300 | 160,800 | 157,800 | 154,600 | 148,800 |
| High | 147,300 | 175,500 | 168,500 | 163,700 | 157,200 |

housing markets. Mortgage rates were lowered in mid summer at a time when there was a general fear that rates might go up. Now at 6.13 per cent for a one-year term and 7.95 per cent for a five-year term, mortgage rates are close to the low levels of early 1994. Expectations are, however, that Canadian mortgage rates will be raised somewhat later this year and in the early part of 1997, in line with an upward movement in interest rates in the U.S.

The five-year mortgage rate is expected to average 8.2 per cent this year and around 8.3 per cent next year, down from 9.2 per cent last year. For the one-year rate, the expected average is 6.5 per cent this year and 6.8 per cent in 1997. This will also be lower than last year's actual average of 8.4 per cent.

External prospects are also favourable. The U.S. economy has accelerated after a slow period at the beginning of the year. While some slowdown is expected, it should materialize only later in 1996 and during the first half of 1997. Overseas economies are also showing improvement. This base of stronger external demand, combined with good competition from Canadian producers, should help Canada's export

Mortgage rates return to 1994 lows



SOURCES: Bank of Canada; 1996-97 CMHC forecast

performance in the next 12 to 18 months.

The main drag on the economy, in addition to reduced government spending, will remain weak consumer spending. Consumer confidence has been recovering gradually during the first half of the year, but spending plans remain hampered by slow income and job growth, and uncertainty in the job market.

On balance, the economy's output as measured by the GDP is expected to rise by approximately 1.5 per cent this year, with a faster pace of close to 3.0 per cent in 1997. Employment is expected to be up by 1.5 per cent this year and nearly 2.0 per cent in 1997.

Housing Outlook

Improved market balance, moderate underlying demand

Total housing starts are forecast to reach 123,000 this year, a double-digit increase over the level of 1995. Next year, starts are expected to increase further, to 132,700 units. On a regional basis, Alberta, Manitoba and Quebec are expected to post a

sustained two-year recovery, with substantially higher activity in both years. Saskatchewan and P.E.I. should see lower activity next year following surging results this year. The current recovery in Ontario is also expected to slow down. One exception to the general trend will be British Columbia, where activity will recover only next year, after flat results this year.

Housing markets across Canada are generally witnessing improved supply-demand balance. This, combined with good affordability, should impart a positive trend to new housing starts up to the end of next year. Increases, however, will remain constrained by slow gains in employment, near-stagnation of real incomes, and upticks in mortgage rates.

Progress in the supply-demand balance is more advanced in the single-detached market. The inventory of new unoccupied units has been shrinking steadily in the last year, and the level still unoccupied at mid year is at its lowest point since early 1988. This means it will be more and more difficult to satisfy additional demand from the standing inventory.

Developments on the resale market also support higher construction. The resale market should post a healthy advance this year, to 301,300 units, up 14.9 per cent from 1995. A further but moderate increase to 306,500 units is expected next year, as higher mortgage rates cap the recovery, particularly at the beginning of the year. These levels of activity amount to a full recovery from the 1995 slump. They will bring sales levels back to the range of over 300,000 homes enjoyed during the period 1992 to 1994. The average MLS price is expected to edge up about 1.4 per cent this year and next, to \$152,800 and \$154,900.

The resale market has seen a steady recovery with reduced listings, and prices past their trough. This will prompt more prospective

buyers to consider the new market, especially since builders have been working to bring more affordable products to the market.

These ingredients, low inventories and the active resale market, could play a powerful role in fueling the continued recovery in single-detached starts, but the momentum of the recovery will be limited by jobs, incomes and confidence. Expectations in these areas, at least over the next several quarters, will lead to a moderate increase in single-detached starts for the forecast period.

Single-detached starts are expected to be up 22.8 per cent this year, to 79,100 units, with a further gain of 6.8 per cent, to 84,500 units in 1997. The largest relative provincial increases this year will take place in Ontario, Alberta, New Brunswick and Quebec. Next year, the western provinces of B.C., Alberta and Manitoba, along with Quebec are expected to record the largest relative advances.

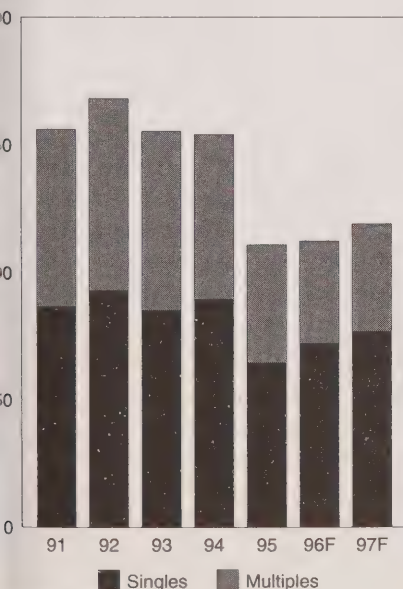
On the multiples market, the recovery process is still at a much earlier stage. Quarterly starts are just beginning to turn up, but not enough to prevent a further year-on-year drop in new units. The inventory is still being reduced, and lower mortgage rates are attracting first-time buyers to new semis, row houses and condominium apartments. Furthermore, the very low level of new units coming to market and higher international migration since the end of 1994 should help improve the rental market situation.

Expectations are for the annual total of multiple starts to decline by 5.6 per cent this year, to 43,900. Next year, however, with the cumulative impact of current trends, new construction is expected to be up by 9.8 per cent, to 48,200 units. All the largest provincial markets are expected to record lower activity before posting increased new construction in 1997.■

Single-detached market leads recovery

Housing starts by type — Canada

(thousands of units)



SOURCE: CMHC.
1996-97 Forecast.

Newfoundland

by Mac Woodman and Brian Martin



Highlights

- Economy to shrink
- Gradual erosion in housing demand
- Vacancy rates on the rise

Housing market active in first half

Following a dismal performance last year, housing demand increased during the first six months of 1996, with large gains in both the existing and new homes markets.

Lower interest rates, improved consumer confidence early in the year, and an ample supply of

affordable homes, made for an active first half in the existing homes market. Provincial MLS sales rose by nearly 28 per cent. A shift in demand to slightly higher priced homes brought about by lower borrowing costs led to a significant rise in the average sale price.

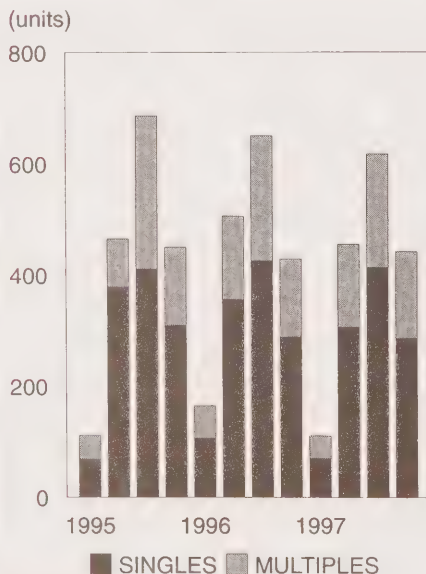
An active resale market early in the year, combined with favourable weather conditions, gave home builders a head start. New home construction advanced by almost 17 per cent. Gains in urban centres more than offset reduced activity in rural areas, where unemployment and out-migration dampened demand for housing. Improved affordability continued to attract renters to homeownership, and further weakened demand for rental accommodation in urban centres.

Expenditures on the Hibernia project will fall by about 35 per cent to \$870 million in 1996. Employment on the project, while averaging about 3,300 for the year, will taper off in the second half, adding to employment declines in the province. In 1997, expenditures will fall to \$550 million and employment will average about 600. Just as the completion of Hibernia's construction phase will contribute to an economic slowdown over the next year, its production, combined with construction work on Voisey's Bay and Terra Nova developments, will lead to a recovery in 1998.

Fish landings are expected to record modest increases in 1996, supported in large part by an expanded quota in the crab fishery. A maturing aquaculture industry and the first capelin fishery since 1994 will make important contributions. The value of landings, while remaining high in historical terms, is expected to decline as crab prices fall from last year's record levels. As a result, landed value in 1997 may not match those of 1996. With the continued moratoria on the labour-intensive groundfish fisheries, employment gains in the industry are not expected.

Other resource-based industries will also post gains this year and next. The addition of several new mining operations will add to provincial output and iron ore production will remain steady. Expenditures on mineral exploration over the next two years will exceed \$150 million, as mining companies scour Labrador for other major

Housing Starts NEWFOUNDLAND



SOURCE: CMHC.
1996-97 Forecast.

1996-97 Outlook

Economy feels effects of Hibernia slowdown and government cutbacks

Given the final concrete pour on Hibernia's Gravity Base Structure in July, roughly 4,500 of the 5,000 construction workers will be laid off by year end. This, in turn, will remove approximately \$250 million in wages and salaries from the provincial economy. The wind-up of Hibernia's construction phase, combined with cutbacks at all levels of government, will contribute to a decline in economic output of 3.5 per cent in 1996 and 3.0 per cent in 1997.

discoveries. Oil exploration will also increase, but with greater focus on the Grand Banks region. The favourable outlook for newsprint should keep the province's newsprint mills operating near full capacity.

The phase-out of compensation for closed-down fisheries, along with job reductions at Hibernia and in the public sector, will lead to a decline in employment and incomes this year. In addition, high levels of out-migration will continue as Newfoundlanders are drawn to more favourable economic prospects elsewhere. These factors will temper housing prospects.

Housing markets will not escape economic slowdown

The accelerated pace set in the new and existing home markets early in the year is expected to subside in the second half of 1996 as demand is reduced by job reductions and

out-migration. Rising inventories of newly constructed homes and an oversupplied resale market will also limit homebuilding activity this year and in 1997.

Housing starts are forecast to increase by 2.2 per cent in 1996, as a result of gains in urban centres. Lower employment levels at the Hibernia site and in the public sector will have more of an impact by 1997. Starts are forecast to fall to 1,625 units.

Single-detached starts will increase modestly this year but will remain below historical levels. Multiple starts will also increase, supported in large part by demand from first-time buyers and an increase in housing targeted to seniors. In 1997, the number of single-detached starts will drop along with the downturn in the economy. Fewer two-apartment starts and high vacancy rates in larger rental projects will also dampen multiple unit construction.

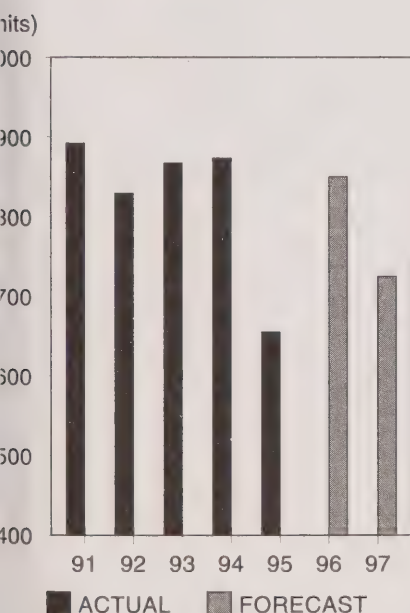
11.8 per cent in 1996. The number of existing homes available for sale will reach record levels this year and next, limiting growth in house prices. By 1997, a weaker economy will take hold and home buying activity will fall to 1,725 units.

Although property values are not expected to change significantly, the average sales price will rise in 1996 due to the additional sales of higher priced homes. Supply will continue to outstrip demand in 1997, and house prices are expected to remain flat.

Vacancy rates to move higher

Increased access to home ownership, out-migration, and competition from accessory apartments will continue to dampen demand for rental accommodations. Vacancy rates will range between 11 and 13 per cent over the next two years. An oversupplied rental market, particularly in the St. John's CMA, will result in stable or declining rents and limited investment in larger rental projects.■

**Residential MLS Sales
NEWFOUNDLAND**



SOURCE: Canadian Real Estate Association.
CMHC: Forecast.

Supply to outstrip demand in existing homes market

Like new construction, the resale market will slow in the second half of 1996. The performance early in the year will lift provincial MLS sales by

Key Provincial Indicators

| NEWFOUNDLAND | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | -0.4 | -3.5 | -3.0 |
| Employment (% Change) | 1.5 | -6.0 | -2.5 |
| Unemployment Rate (%) | 18.3 | 20.7 | 21.2 |
| Housing Starts (Units) | | | |
| Total | 1712 | 1750 | 1625 |
| Singles | 1165 | 1175 | 1075 |
| Multiples | 547 | 575 | 550 |
| MLS Sales (Units) | 1655 | 1850 | 1725 |
| Average MLS Price (Dollars) | 89525 | 92000 | 91500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Prince Edward Island

by Ralph Freeze

Highlights

- Gains in all sectors of the housing market
- Affordability: the key factor for single-detached
- Row/townhouse structures will be popular

Housing markets shift

P.E.I.'s housing market has recovered with record high employment, favourable buying conditions, and low mortgage rates.

The peak number of workers on the bridge to New Brunswick has been reached. Until the completion date in June next year, the level of employment will remain high. Expansion in potato processing, a

call centre, and construction of a food park will help prevent a major decline in employment when the bridge construction is over.

After 18 months of a downward trend, new home building stepped up in the last quarter of 1995. The period of low housing activity created a pool of potential demand. This, combined with declining mortgage rates and more confident consumers, supported the strong resale market and subsequently the new homes market.

At mid year, housing starts are 70 per cent higher than in the first half of last year. Single-detached home construction rose, partly as a result of the confidence of some builders in the market. Speculative building is occurring at levels higher than at any other time in the 1990s. So far, sales have kept the inventory from growing into a problem.

Increases occurred in rental construction despite vacancy rates of over 7.0 per cent in Charlottetown and Summerside. There were more rental starts in both centres in the first half of 1996 than in all of last year. The new units coming onto the market are facing stiff competition from existing structures.

The resale market maintained the momentum that began during the last six months of 1995. At mid year, sales are up by 47 per cent and the average selling price has shown an increase as a result of more sales in higher-priced markets. Demand responding to favourable mortgage rates has given some life to the resale



market, but sales have not reached 1994 levels yet.

More affordable new homes

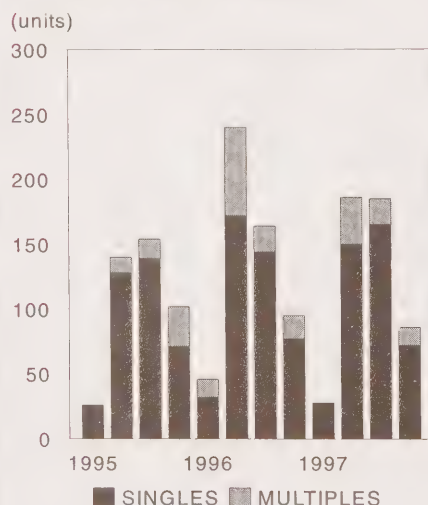
The revised forecast of housing starts is 545 units for this year and 485 units in 1997. Construction of single-detached homes in urban centres will experience growth in 1996. Favourable borrowing conditions and higher demand for new homes will encourage home building. Rural P.E.I. is also set for an increase in starts after three years of good potato prices, but it will not materialize until crop prices shift downward. Lower crop prices traditionally result in more emphasis on family-built homes. Price declines may happen this year as a result of record-high plantings and wet weather.

Construction of single-detached homes in 1997 will see a slight decline. With completion of the bridge to New Brunswick, there will be a decline in employment and incomes associated with the project. Affordability will be the balancing factor against the income and employment news.

Price sensitive resale market

The resale market is expected to rise this year with 525 MLS sales at an average price of \$77,000. However, a slight drop in sales and average sales prices is expected in 1997. First-time buyers will remain

Housing Starts PRINCE EDWARD ISLAND



SOURCE: CMHC.
1996-97 Forecast.

active as favourable buyer conditions exist throughout the forecast period. Low mortgage rates, a large supply of homes, and moderate prices are ingredients which will attract potential buyers.

The move-up market will not contribute to the overall industry in a balanced manner. Very few home sales will take place at prices beyond \$130,000. In addition, many new homes on the market will be under this price and will add to the competition. With a market in favour of buyers across P.E.I., purchasers will be even more sensitive to price,

and high-priced listings will be slow to sell.

Positive factors affecting affordability are influencing average sales price. Average price variation reflects more changes in the location of sales rather than actual price movement. Moreover, low mortgage rates allow buyers to get slightly more expensive homes for the same carrying costs as in early 1995.

Rentals and multiple-unit development

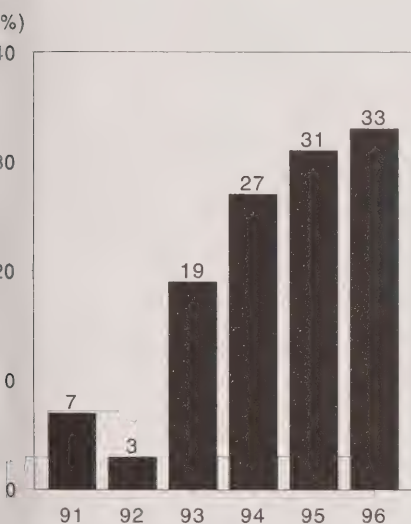
The rental market in urban P.E.I. is expected to remain over-supplied through the forecast period. In the short term, a lack of growing demand will mean additional vacancies in some structures. In the

long term, there may be a need for replacement or turnover of older stock.

Row housing is becoming more popular than the traditional twelve-unit apartment complex. These units are more appealing to young families and are one step closer to private dwellings. A higher percentage of this type of rental unit is expected to be built over the forecast period.

The condominium market on P.E.I. is relatively untested. Although a few projects were developed, there has been a lull in new construction. Semi-detached and townhouse structures will grow as an alternative form of ownership for P.E.I. In the past, these were mostly built for rental, but a move toward freehold ownership is developing. ■

**Row and Townhouse Units:
Percentage of Multiple
Construction
PRINCE EDWARD ISLAND**



SOURCE: CMHC

Key Provincial Indicators

PRINCE EDWARD ISLAND

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 2.6 | 2.2 | -1.0 |
| Employment (% Change) | 5.4 | 3.4 | -1.6 |
| Unemployment Rate (%) | 14.7 | 14.0 | 15.0 |
| Housing Starts (Units) | | | |
| Total | 422 | 545 | 485 |
| Singles | 364 | 425 | 415 |
| Multiples | 58 | 120 | 70 |
| MLS Sales (Units) | 476 | 525 | 485 |
| Average MLS Price (Dollars) | 73807 | 77000 | 75500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Nova Scotia

by André Moore and Sally Erskine Doucette

Highlights

- Financial incentives favour home buying
- New and resale markets up
- Affordability rising

Gains early in 1996

While total residential construction activity declined some 6 per cent in the second quarter of 1996 relative to the same period last year, certain segments picked up. In fact, single-detached, semi-detached and row housing starts combined for an increase of more than 20 per cent in the second quarter. Resale activity showed the same kind of momentum,

rising by roughly 25 per cent over the same period. A healthier start to the year for housing markets, and an upward direction for the industry this year, are shown in the double-digit per cent increase in resales for the first half of 1996.

Despite gains in certain markets, near term prospects may be mixed for the construction industry. Housing market conditions in Nova Scotia currently favour buyers over sellers and will remain so through 1997. Home buyers will benefit from low prices, while firms in the industry will have to adapt to heightened competition.

Why are housing markets active in Nova Scotia?

There are two main reasons for the increase in housing activity in the first half of the year. First, and foremost are the better economic fundamentals, lifting consumer willingness to make major commitments. Mortgage rates continue to seesaw near record lows, and relatively low house prices have put home buying within the reach of most Nova Scotia households. Other positive signals include employment gains of 1.5 per cent during the first six months of the 1996 over the same period last year and a 6.4 per cent increase in retail sales in the first five months of the year.

Although housing demand is moving up this year due in part to high affordability, low consumer confidence remains as the key

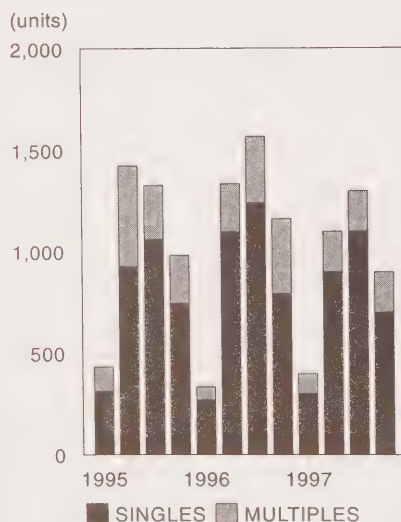


constraint on home buying. Consumer uncertainty reflects a stream of good and bad news. There is ongoing government and industry restructuring, such as the layoffs at Shelburne Marine Shipyard, the Queen Elizabeth II Health Science Centre, Volvo, and Sysco, while Maritime Telephone and Telegraph workers went on strike to prevent impending layoffs. Countering those events are projects such as the Highway 104 Bypass construction, the MacDonald Bridge upgrade, Stora Forest Industries expansion, the establishment of a Red Cross blood processing plant, and the proposed Sable offshore energy project.

Half of all new homes built in Nova Scotia so far this year are with FHLI mortgages

A secondary reason behind the rise in starts activity has been recent changes in government financial incentives for housing purchases. In the first quarter of the year, the scheduled April ending of the provincial sales tax (PST) rebate for first-time buyers of new houses

Housing Starts NOVA SCOTIA

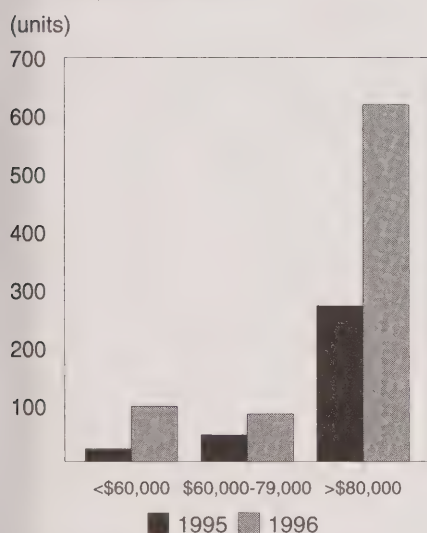


SOURCE: CMHC.
1996-97 Forecast.

enticed many builders in urban centres to start new homes in order to qualify for the rebate, even without sales in hand. When the program was extended to April 1997, many builders were left with houses to complete and sell.

The incentives are attracting households that had been unable to afford a down payment, were uncommitted to buying, or were interested in buying later. The resulting increased demand for home ownership at the lower price ranges will also help develop move-up buying activity. In total, the incentives will help lift new single and semi-detached starts by 11 per cent in 1996.

**New Home Sales at Affordable Prices
Jan.-June '95-'96**



SOURCE: CMHC.

Builders competing for first-time buyers

Two years ago, few new homes were being built for under \$80,000, even though the resale housing market was catering to a large pool of first-time buyers. For example, in 1996, the number of homes built for under \$80,000 in Halifax has increased 140 per cent, and is competing more effectively with the resale market (see graph). In fact, the number of first time home buyers purchasing new homes has more than doubled while the proportion of buyers choosing new over resale has increased to 29 per cent, from 18 per cent in the first half of last year.

Housing market to slow in 1997

Both new and resale activity are expected to decline in 1997, as

mortgage rates go up, house prices rise, financial incentives end, and household formation slows. New home building is expected to slow to 3,700. Both single-family and multiple units will drop.

There will be fewer rental starts in the next year as numerous renter households move into first-time home ownership. Vacancy rates will remain high and rents will move downward.

To some extent, higher housing activity in 1996 will be drawing from potential activity in 1997. Housing markets this year will be partly supported by households that want to take advantage of certain financial incentives before they disappear next year and as such advance their home purchasing decisions.■

Key Provincial Indicators

NOVA SCOTIA

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 0.5 | 1.1 | 1.3 |
| Employment (% Change) | 1.1 | 1.0 | 1.1 |
| Unemployment Rate (%) | 12.1 | 11.6 | 11.3 |
| Housing Starts (Units) | | | |
| Total | 4168 | 4400 | 3700 |
| Singles | 3040 | 3400 | 3000 |
| Multiples | 1128 | 1000 | 700 |
| MLS Sales (Units) | 7019 | 7100 | 6800 |
| Average MLS Price (Dollars) | 89788 | 92000 | 93000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

New Brunswick

by Bruce Read and Laurie Gosselin



Highlights

- Economic momentum will carry into 1997
- House choice in existing market is declining
- Rental occupancy levels will remain a concern
- Prices will remain soft

Markets post favourable signs

Housing starts in the first half of 1996 are up from last year. The re-sale market, which started its recovery in the spring of 1995, also remains healthy this summer.

Attracted by declining mortgage rates and an ample supply of homes at discounted prices, buyers moved into the existing market, lifting first

quarter sales up by 46 per cent from levels a year earlier. Declining prices that have reflected oversupply during the past year are beginning to stabilize.

Construction activity also increased. The rise of over 50 per cent in housing starts during the first quarter was followed by a 29 per cent up-tick in the second quarter. With rental vacancy rates still above equilibrium levels, it was the ownership market that drove the recovery. By mid-year, the province recorded 1,097 housing starts.

1996-97 Outlook

Economic growth continues

The provincial economy continues to display healthy signs. Despite a lacklustre year for the service industries, the goods-producing sector will support an overall growth of 2.0 per cent this year.

Leading the slowdown in the service sector will be the public sector. Many jobs have already been lost this year as a result of cutbacks.

On balance, the resource sector will experience a good year. The mining sector is getting a boost from continued healthy prices in international markets. Zinc and lead production, on the rise so far this year, will move ahead next year with the reopening of the East/West Caribou zinc mine in the Bathurst area. The Mount Pleasant mine in the southwestern part of the

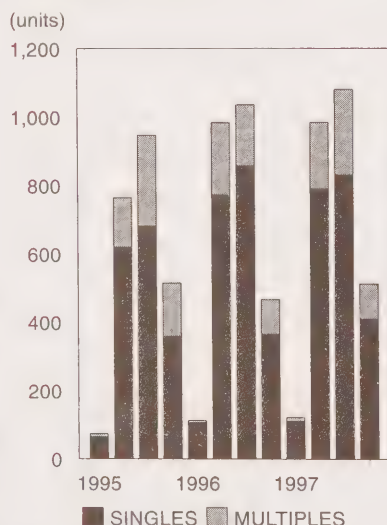
province will also open next year, employing 250 workers in the production of indium and tin.

In contrast, the forestry sector is facing lower prices for pulp and paper. Pulp prices, which topped \$1000 per tonne last year, fell by nearly 50 per cent during the opening months of the year. Temporary shutdowns resulted across the province, affecting woodworkers and mill workers alike. Producer inventories have fallen since then by nearly 50 per cent and indicate potential price increases during the final quarter of the year. Lumber mills, which rely on sales of wood chips to pulp producers, have also been caught in the slowdown.

Prospects may dampen in shipbuilding as final touches are put on the last frigate for the Canadian Forces at Saint John Shipbuilding. This multi-billion dollar program, which just a few years ago employed several thousand people, is now winding down with no firm contract to follow. This, combined with the slowdown in pulp and paper production, points to a lacklustre year for manufacturing in 1996. Prospects for this sector are better for 1997.

Employment growth will not reach earlier expectations. Disruptions in the forestry industry and layoffs in the public administration sector will limit job growth to 2,000 this year. However, a more active economy is expected to generate an additional 5,000 jobs in 1997.

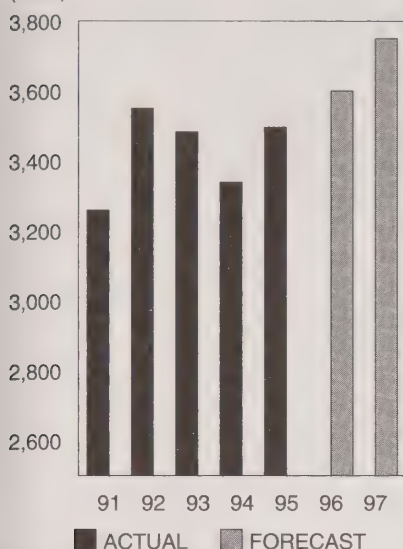
Housing Starts NEW BRUNSWICK



SOURCE: CMHC.
1996-97 Forecast.

Residential MLS Sales NEW BRUNSWICK

(units)



SOURCE: Canadian Real Estate Association
CMHC: Forecast.

New home market captures homebuyers attention

Buyers looking for an existing home this fall will have less choice on the market. Strong sales over the past year have drawn down inventories, leaving fewer options for potential buyers. Sales of existing homes, which have begun to soften in most markets, will still post a record year.

Soft prices have been a big attraction in the existing market, but they are starting to firm up. Dwindling

supply and only modest declines in demand during the second half of 1996 will be at the heart of the up-trend. Following three years of declining house prices, the average price of homes trading hands this year will hold at last year's level of \$84,000 and will increase slightly in 1997.

As prices firm in the existing homes market, new construction will become more active. Following a record low last year, single-family construction will post a 22 per cent gain this year and a modest 1.9 per cent increase in 1997.

High vacancy rates in most markets in the province will hinder multiple-unit construction over the next two years. The Moncton rental market will ease this year as activity in the Fredericton area picks up. Adding to this rental activity will be an increase in multi-family homeowner-ship construction. With increased demand from move-down buyers, local builders have been having some success with this form of construction. ■

QUALITY GUARANTEED

New Brunswick home buyers want higher quality construction from builders and they are willing to pay for it

Local builders marketing R-2000 homes have had a good response from home buyers. However it is measured, on a per capita basis, as a percentage of urban starts, or simply in gross annual numbers, homebuyers in New Brunswick have been buying these homes faster than the rest of Canadians.

While R-2000 units were originally pitched as a remedy for rising energy costs, recent revisions to construction standards have made them environmentally friendly as well. Buyers suffering from some allergies, such as hay fever or reactions to toxic construction materials, may find relief by owning one of these homes because of their higher standards.

Cost-conscious buyers have also been attracted. The purchase price premium of 2 to 5 per cent can often be offset by savings in lower operating costs. With some financial institutions providing preferred lending rates for these homes, and heating costs that are sometimes less than half those of a conventionally built home, builders and Realtors have found it easy to talk to clients about budgeting.

A recent study funded by Natural Resources Canada and the New Brunswick Home Builders also confirms that the original financial outlay can most often be recouped on resale. With a growing number of move-down buyers entering the market in search of many of these features and benefits, local R-2000 builders can look ahead to a growing share of the new construction market. ■

Key Provincial Indicators NEW BRUNSWICK

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.4 | 2.0 | 2.2 |
| Employment (% Change) | 2.3 | 0.7 | 1.6 |
| Unemployment Rate (%) | 11.5 | 11.5 | 10.8 |
| Housing Starts (Units) | | | |
| Total | 2300 | 2600 | 2700 |
| Singles | 1722 | 2100 | 2140 |
| Multiples | 578 | 500 | 560 |
| MLS Sales (Units) | 3496 | 3600 | 3750 |
| Average MLS Price (Dollars) | 83994 | 84000 | 84500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Quebec

by Kim-Anh Lam

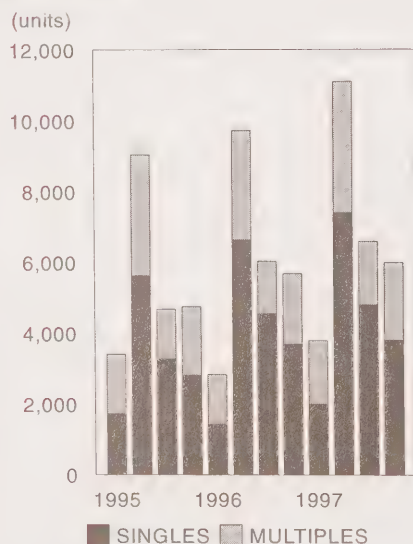
Highlights

- The economy will grow slowly
- Residential construction will remain at low levels
- The resale market has the best activity prospects

New home market becomes more active in the second quarter

Increased sales in the existing homes market stimulated residential construction during the second quarter of 1996. The number of existing homes sold through MLS was 21 per cent higher and housing starts rose 8 per cent over the second quarter of last

Housing Starts QUEBEC



SOURCE: CMHC.
1996-97 Forecast.

year. Builders of single-family homes were particularly active, beginning 8,060 new units from April to June, 10 per cent more than last year. In contrast, multiple-unit housing construction decreased 12 per cent. Among multiples, development of new condominium projects remained weak with a large surplus of units available on the resale market. However, inventories of units available for sale declined slightly.

Economic news included a relatively good performance by the labour market, sustained economic growth, and rising consumer confidence. These factors, combined with low interest rates and flexible conditions in the mortgage market, made it easier for many households to buy homes.

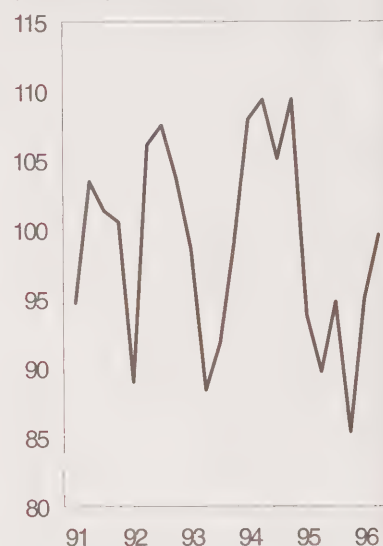
The growing share of residential construction outside urban centres in Quebec lifted home building in the province. Housing construction in small areas rose by 28 per cent during the first half of the year and offset the 8 per cent drop in urban centres (10,000 or more inhabitants). With the expansion of outlying municipalities, these small towns accounted for 32 per cent of all construction volume, up from 15 per cent in the 1980s.

In total, residential construction for the first half of 1996 (12,528 units) posted a gain of 1.0 per cent over the level attained in the same period last year (12,446).



Consumer Confidence Index QUEBEC

(seasonally adjusted index)



SOURCE: The Conference Board of Canada

1996-97 Outlook

Quebec's near term economic prospects tied to U.S. economy

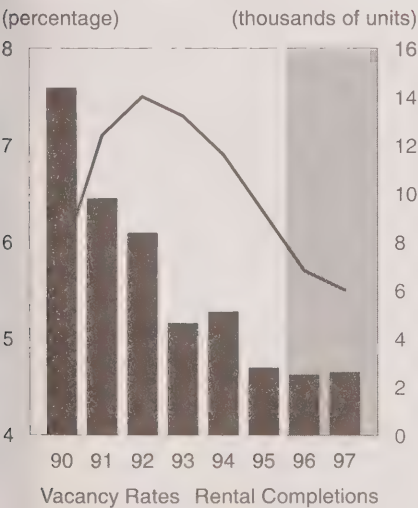
The Quebec economy is expected to grow in both 1996 and 1997 largely due to manufacturing and raw materials exports to the United States. Quebec households, however, will remain cautious when it comes to spending. Even though the Consumer Confidence Index is rising, it remains below its pre-recession levels. Downsizing among large public and private employers may play a factor.

Quebec is expected to benefit from net in-migration over the next two years: 8,700 in 1996 and 11,200 in 1997. This will provide additional support for the housing market.

Residential construction will continue to rise in 1997

The trend set in the first half of the year has prompted an upward adjustment in the housing starts forecast. An 11 per cent increase in the total number of housing starts, to 24,300 units, is now expected for 1996, and a further rise of 13 per cent, to 27,500, is anticipated for 1997. Gains in the new home market will come from housing affordability, an increase in existing home sales, and more favourable economic conditions, including job creation that has been on the rise over the last three years. In addition, stability of new home prices and affordable housing models from builders are making homeownership more accessible.

Vacancy Rate and New Housing Supply (Quebec Urban Centres)



SOURCE: CMHC, Rental Housing Completions. 1996-97 Forecast

FLOODING IN THE SAGUENAY: A PRELIMINARY ASSESSMENT

by Eric Dallaire

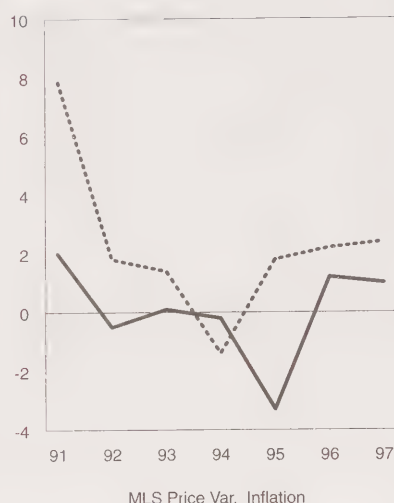
A number of municipalities in the Saguenay-Lac-Saint-Jean were affected, in varying degrees, by the flooding which occurred on July 19 and 20. A total of over 250 residential buildings (containing nearly 500 units) were completely destroyed, with nearly 200 of these in La Baie alone, and another 700 were damaged. The cost of the damage could go as high as half a billion dollars once everything has been appraised. A \$200 million assistance program for the flood victims was put in place by the Quebec government, in collaboration with the federal government. This program provides compensation packages which may exceed \$100,000.

The economic repercussions are immense. Major companies (aluminum and pulp and paper companies) incurred heavy financial losses due, in part, to the railroad system breakdown. Thus, nearly 4,000 people have ended up unemployed especially in the forestry and tourism sectors. On the other hand, there is a great demand for truck drivers, heavy machinery operators and construction workers. This demand is not sufficient, however, to compensate for the large number of people who were working for major companies and who have found themselves temporarily out of work. The employment balance sheet will most assuredly remain in the red over the next few months.

The residential market is one of the first to suffer from this type of disaster. The municipalities reacted rapidly to help their residents find new shelter. Those municipalities whose territories were modified by the flood waters, managed to obtain sufficient information and documents to very quickly undertake consultations with their residents on how to determine new residential zones in areas not prone to flooding. The city of La Baie, for example, has already identified 60 lots available immediately for residential construction. As well, Jonquière and Chicoutimi have 160 and 500 serviced lots respectively which can be used for residential construction. A \$25 million financing program has been announced by Caisses Desjardins to rebuild and renovate main and secondary residences damaged by the flooding. This program, in particular, will offer reduced interest rates and extended repayment periods.

It is to be expected that flood victims will opt, first of all, for the rental and resale markets while rebuilding/renovating work is being carried out. Thus residential construction activity will not experience a boom until next year (1997). The renovation market will post a major surge in activity. It should be noted that all the residences built on their original lots will not be considered as new housing starts but rather as renovated units.■

Relation Between Inflation and Existing Home Price Increases QUEBEC



SOURCE: Statistics Canada and the Canadian Real Estate Association
1996-97 Forecast.

Single-detached home building will be the key factor in residential construction, with expected increases of 21 per cent for 1996 and 8 per cent for 1997. The new home market will benefit from a return of move-up buyers, following higher activity levels in the resale market, but will continue to be dominated by first-time buyers. These are the principal clients of builders, accounting for seven out of ten sales. As a result, 70 per cent of all homes sold are for \$120,000 or less, and areas outside major urban centres are favoured.

The decline in rental housing production reduced the large inventory of unoccupied units. Rental housing construction now accounts for only 13 per cent of total activity, compared to 25 per cent in 1991. The number of units for rent is slowly decreasing and as a result the vacancy rate should reach 5.7 per cent in October 1996 and 5.5 per cent in October 1997. With a smaller stock of new units, a few new investments can be expected for

1997. The forecast calls for 2,500 rental housing starts in 1996 and 3,000 in 1997.

Rent increases in 1996 are expected to remain below the inflation rate, which is itself under 2 per cent per year. A better balance between supply and demand may lead to rent increases matching inflation by the end of 1997.

The new condominium market (representing 9 per cent of the new home market) will see 1,800 units started in 1996 and up to 2,200 units in 1997. This essentially urban tenure option has two principal client groups, young households and seniors. These groups have been fragmented since the recession: young households are attracted by affordable small home development projects in the suburbs, while older households are staying longer in their homes. Many of the latter have had difficulty selling their house that is now too big for their needs. Promoters are therefore contending with moderate demand for condominiums in price ranges below \$150,000.

The MLS resale volume is projected to post gains of 14 per cent in 1996 and 2 per cent in 1997. First-time buyers are taking advantage of mortgage rates that

have been declining since the beginning of 1995. Levelling off of the MLS resale volume in 1997 will be the consequence of a larger proportion of exclusive sales by real estate brokerage firms. The resale market is moving towards a better balance, with a modest price increase of 1.2 per cent in 1996, followed by a further rise of 1.0 per cent in 1997. This moderate increase will be due to an abundance of homes for sale. ■

Key Provincial Indicators QUEBEC

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.6 | 1.7 | 1.9 |
| Employment (% Change) | 1.5 | 1.5 | 1.4 |
| Unemployment Rate (%) | 11.3 | 10.9 | 10.8 |
| Housing Starts (Units) | | | |
| Total | 21885 | 24300 | 27500 |
| Singles | 13428 | 16300 | 18000 |
| Multiples | 8457 | 8000 | 9500 |
| MLS Sales (Units) | 29824 | 34000 | 34500 |
| Average MLS Price (Dollars) | 98836 | 100000 | 101000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Ontario

by Alex Medow and Dallard Runge



Highlights

- Economy still slow
- Home building will rise moderately as jobs and consumer confidence grow
- Price increases will be modest
- Rent deregulation proposed

Ontario home starts increase to year-and-a-half high

Ontario's new home starts rose 14.2 per cent in the second quarter, to their highest level in a year and a half. Residential starts at seasonally adjusted annual rates grew to 41,700 from 36,500 in the first quarter. Multiple-family home construction, which was held back by a severe winter and a bricklayers' strike earlier this year, increased at a double-digit pace. Starts of semi-detached and row homes with freehold ownership of land accounted for the bulk of that increase. Single starts also rose as the backlog of completed and unoccupied units began to clear.

Ontario's current demographics — factors such as the size and age structure of the population, migration, births and deaths — would lead to an expectation of over 50,000 home starts. But the economy,

with limited wage gains and continued government restraint, is still holding back the province's housing markets. Ontario's population has grown by almost a million since the beginning of the decade. Over the same period, the province lost and regained 331,000 jobs. Employment in July was only four thousand jobs higher than its previous peak level in February of 1990.

Ontario's current economic indicators are mixed and many consumer demand indicators, such as passenger vehicle sales and retail sales, are weak. But there are some positive demand factors for housing markets as well. For example, immigration to Ontario is high and consumer confidence has picked up.

Low mortgage rates have combined with over seven years of declining average home prices to make home ownership affordable and resale markets active this year. January to June sales through the multiple listing services were 24.5 per cent ahead of last year's. June's average resale home price moved upward.

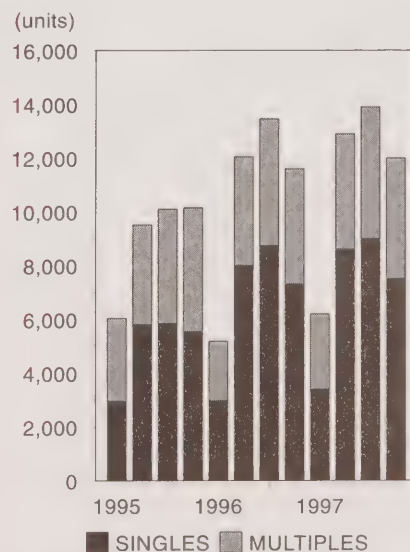
Changes to Ontario's regulatory environment

The Ontario government is undertaking several measures to reduce provincial regulation and lift the province's residential

construction industry. New buyer incentives include a Land Transfer Tax Refund Program that refunds up to \$1,725 to first-time purchasers of new homes by March 1, 1997. There are over 1,000 Ontarians received refunds during the first two months of this program, which started on May 8.

Bill 20, which received Royal Assent on April 3, 1996, reduces provincial regulation in land use planning. This bill has lowered provincial development controls by allowing municipalities to approve land development proposals. Municipalities must still give due consideration to provincial

Housing Starts ONTARIO



SOURCE: CMHC.
1996-97 Forecast.

requirements, but have been given the authority to grant exceptions to official plans.

The government is also considering changes to the provincial rent review system in hopes of reducing regulation and encouraging new rental construction. Proposed revisions would allow landlords to raise rents on apartments that become vacant. They would keep rent regulation on occupied units, but with an increased allowance for capital expenditures and maintenance. Under the current system, the rent increase guideline is set at 2.8 per cent this year and next.

Another deregulatory action which will affect the rental market is the proposed elimination of the Rental Housing Protection Act. This action would allow landlords to convert rental units to condominiums, but would maintain residency periods for existing rental tenants.

1996-97 Outlook

Construction will pick up moderately

Housing starts are forecast to rise through 1996 and 1997 as jobs increase and consumer confidence grows. Total starts will increase 18 per cent to 42,300 units in 1996 and another six per cent to 45,000 units in 1997. Single starts will rise the most, even though higher mortgage rates next year will slow their pace of growth.

Multiple family home starts are predicted to ease down this year as the phase-out of government assistance to new social housing units reduces rental construction. Prospects are good for privately initiated multiple-family home construction in 1997. Inventories of newly constructed unsold multiple units are low to the point that increases in demand will be met with new construction (see the feature article

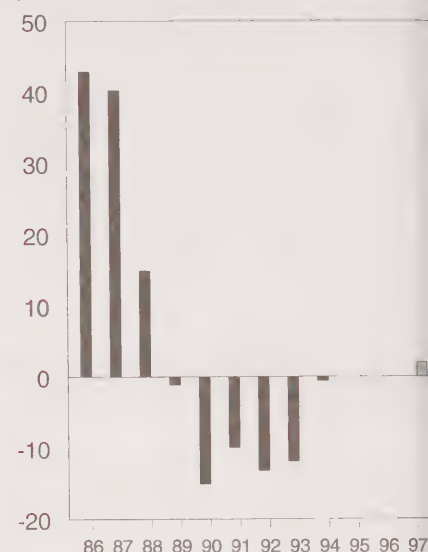
for an overview of condominium inventories). The challenge to new home builders is to develop housing that appeals to first-time buyers and remains affordable. Renters in search of cost-competitive home ownership options will lift private sector row house and townhouse starts this year. Modest increases in condominium starts are anticipated in 1997.

Affordable pricing with an extended period of low mortgage rates has raised resales of existing homes. Since home resales are a leading indicator of new home starts, this is a positive development for the construction industry. Resales are expected to taper off slightly next year, in line with small increases in mortgage rates. Both 1996 and 1997 resale numbers will compare favourably with last year's level. Average resale home prices will increase modestly at less than the general rate of inflation.

Migration patterns explain a large part of the variation in rental vacancy rates across Ontario. High migration will keep vacancy rates relatively low in Toronto and in areas within commuting distance from Toronto, such as Hamilton, Kitchener and Oshawa. Windsor's job growth will keep its vacancy rate among the lowest. The higher vacancy rates are expected in Sudbury and Thunder Bay,

Net inter-provincial migration not yet contributing to new housing starts

(thousands of persons)



SOURCE: Statistics Canada
1996-97 forecast by CMHC

followed by St. Catharines and London — centres which will experience migration outflows, low in-migration or slow job growth.

New home prices will be relatively flat or even declining in most of Ontario's major metropolitan areas this year. Slight increases are anticipated in most centres next year. This moderate growth in home prices is another sign that the revival in home construction may be slow. ■

Key Provincial Indicators

| ONTARIO | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 2.9 | 2.1 | 2.7 |
| Employment (% Change) | 1.4 | 1.5 | 1.9 |
| Unemployment Rate (%) | 8.7 | 9.1 | 8.8 |
| Housing Starts (Units) | | | |
| Total | 35818 | 42300 | 45000 |
| Singles | 20124 | 27000 | 28500 |
| Multiples | 15694 | 15300 | 16500 |
| MLS Sales (Units) | 115512 | 132000 | 129000 |
| Average MLS Price (Dollars) | 154997 | 157000 | 159000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Condo Market Improving in Ontario

A reduction in the surplus of unsold condominium units has brought the Ontario condominium market one step closer to recovery. In June 1996, inventories of condominium units not sold after start of construction stood at about 2,400 units. That inventory of unsold units, less than one third of the amount at its peak in November 1990, is at the lowest level since CMHC began to collect this data six years ago. More than half of the unsold units are in completed structures. The remainder are in buildings under construction. Toronto accounts for more than 60 per cent of the unsold inventory. Nearly 90 per cent of Toronto's unsold condominium units are in apartment buildings.

Three factors account for the reduction in the supply of unsold condominiums. Builders are managing inventories better, some of the surplus units have been rented and new supply has been kept from the market. Lenders have changed their practices, so few buildings can obtain financing before most units are sold. Condominium sales resumed in 1996 after a lull in 1995; higher employment levels, lower prices, and low mortgage rates have encouraged purchasers, especially first-time buyers, to return to the condominium market this spring.

Inventories can now be assessed at an earlier stage because new statistics on unsold condominium inventories are now available when construction begins, instead of when it ends. Statistics now show that unsold condominium inventories peaked in November 1990. Previous data, which did not include unsold inventories in buildings under construction, showed the peak at January 1992, fourteen months later. The sharp build-up of unsold inventories in 1990 reflected units

under construction — more than 5,500 by mid 1990. The build-up of unsold inventories was slow to appear in the statistics at that time because analysts had to wait for the data on building completions.

Inventories fall due to stronger sales

The new data shows far more of a drop-off of unsold inventory from the peak level — 5,740 units, instead of the 3,075 indicated by previous data. Inventories of apartment units have dropped more than have row inventories. Apartment buildings now constitute 76 per cent of the unsold inventory, compared to 84 per cent at the 1990 peak. The remaining unsold units are in row structures. Fourteen per cent of the drop in inventories has occurred since January, mostly from completed buildings. Currently, 53 per cent of the unsold units are in completed buildings. The remaining 47 per cent, still under construction, would have been unreported in the previous statistics.

The reduction in oversupply is a significant step toward recovery in the condominium market. However, a number of stumbling blocks remain in Ontario.

In the past few years, many condominium projects were cancelled or delayed while unsold inventories cleared. This has created some uncertainty among prospective purchasers as to when (or even whether) they could move into new developments. In addition, stiff competition for new condominium projects is providing purchasers with many options. While the inventory of unsold new units has cleared, there remains a large supply of competitively priced condominiums in the resale market. In all Ontario condominium resale markets, an

abundance of supply is competing for relatively few buyers. This means that new production will have difficulty being price competitive with existing resale units of a similar size and with similar amenities.

Monthly condominium fees may also be discouraging potential purchasers. Home owners can purchase a more expensive house if they use an amount equivalent to the condominium fee to obtain a larger mortgage on a freehold unit. Falling mortgage rates increase this effect and make freehold units more attractive. New freehold townhouses, lacking condominium fees, are currently very popular, outselling condominium row units by about two and a half times.

As a result, while the oversupply of unsold new condominiums has shrunk, not all elements are in place for a recovery. Before significant new supply is warranted, there will need to be some increase in existing home prices and the emergence of a seller's market. ■

Surplus of condominium units disappearing

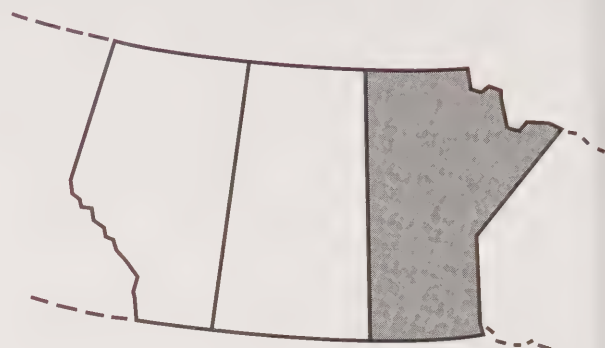
(unsold row and apartment condominium units)



SOURCE: CMHC Housing Market Information System

Manitoba

by Richard Goatcher



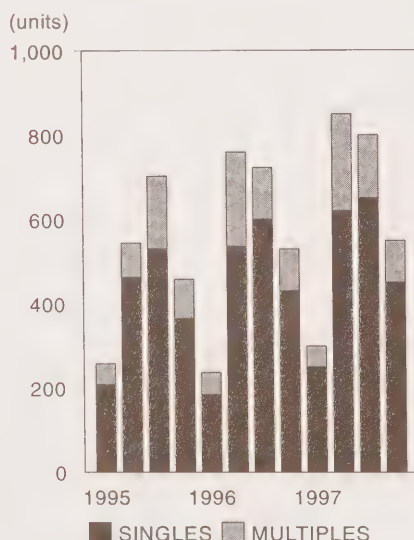
Highlights

- Economy gains momentum
- Multiples lift new construction in 1996
- Resales remain healthy into 1997

Starts rise in second quarter

New housing activity rose during the second quarter, particularly in the rural areas, following a first quarter hampered by cold weather and severe spring flooding.

Housing Starts MANITOBA



SOURCE: CMHC.
1996-97 Forecast.

In urban areas, an increase in multiple starts counter-balanced a drop in new single units. Developers built many new condominium and life lease projects, targeted predominantly at the seniors population. In the urban single-detached market, especially in Winnipeg, builders continued to sell off the large inventory rather than bring new units into production. New housing production in rural areas more than doubled over activity in April to June of 1995, as a result of sustained growth in the farm economy.

Volume on the resale market continued to trend up early in 1996. The average price of resale homes also moved up, mostly due to an increase in trade-up sales.

1996-97 Outlook

Economy on a roll

Manitoba's economy will continue to grow in 1997 with most sectors performing well. Rural areas are particularly upbeat. Despite cutbacks in the Crow transport subsidy, farm incomes are likely to remain healthy. Farmers are expecting to cash in on record grain prices, and should increase demand for machinery, farm vehicles and household items. Meanwhile, investments are under way to expand capacity in the food processing industries.

Export markets will again drive Manitoba's diverse manufacturing sector, with transportation, farm implements and minerals leading the charge. The revival in farming will help maintain the steady growth in machinery exports. Expansion in the forestry sector will lift demand in communities such as Swan River and The Pas. The province's service sector continues to grow, with the telecommunications industry adding investments and new jobs.

Despite the positive overall economic outlook, prospects for job seekers will not improve notably until 1997. Job creation has been slow in the first half of 1996, with cutbacks in government, health care and education countering hirings in the private sector. With labour force growth outpacing new jobs, the unemployment rate will remain close to 7.7 percent for 1996 with only modest relief next year.

New construction rising

New housing activity in Manitoba will move back above the 2,000 unit mark this year, with much of the gains coming from rural markets and multiples in Winnipeg. Despite an expected rise in the second half, singles construction in Winnipeg will not match last year's tally. However, with the continued decline in builder inventories during the first half, coupled with rising resale prices, the prospects for a turnaround are good.

Newly Completed and Unsold Inventory — Singles Winnipeg



SOURCE: CMHC.

The outlook for new singles outside the Winnipeg CMA appears more positive, however, and overall production should exceed last year's pace by almost 200 units province-wide. In 1997, singles activity will rise as rural markets remain healthy and urban centres show an increase.

Construction of multiple units will contribute to much of the overall gains in housing activity in urban areas this year. In Winnipeg, supplies of unoccupied new multiples are tight due to low levels of new construction. Vacancies in better-quality existing rental apartments have been moving steadily downward in recent years. With a moderate rise in demand, there are opportunities for new construction in suburban locations.

In Winnipeg and Brandon, bungalow-style condominiums have proved popular with the move-down market. Increased concerns over personal security have resulted in growing interest in gated low-density condominium developments in

Winnipeg's suburbs. Outside the major centres, seniors' life lease projects, often co-sponsored by non-profit groups, are becoming popular given reduced building of publicly subsidized units.

Resale markets will be healthy throughout 1996. Increased sales in trade-up homes have lifted average resale prices by large margins this year, although the supply of affordable units is still adequate. Overall, affordability remains high due to low interest rates and stable starter-home prices. This has allowed more first-time buyers to enter housing markets recently, but a combination of higher mortgage rates and increased prices may reduce affordability by year-end. In 1997, sales are expected to decline slightly as starter-home prices increase.

While market conditions generally favoured buyers during the early months of 1996, some markets are moving toward more balanced conditions due to a shortage of new listings and stronger sales. The return of the move-up buyer bodes particularly well for home builders. A lack of equity appreciation throughout much of the 1990s has kept many potential move-up buyers from

making the change. While much of the price growth this year has come from a shift in the sales mix, overall values may also rise. This should encourage more move-up buyers to test the market in 1997 and lift demand for new homes as well.

Rental market conditions in Winnipeg will tighten into 1997 although the overall vacancy rate will remain near 5.0 per cent. In newer apartments, those built since 1987, vacancies will fall below 2.5 per cent. As many of these better rental apartments are converted to condominiums, the overall supply will continue to diminish. Meanwhile, vacancies in older apartments in the city's core area will remain above city-wide averages. ■

Key Provincial Indicators MANITOBA

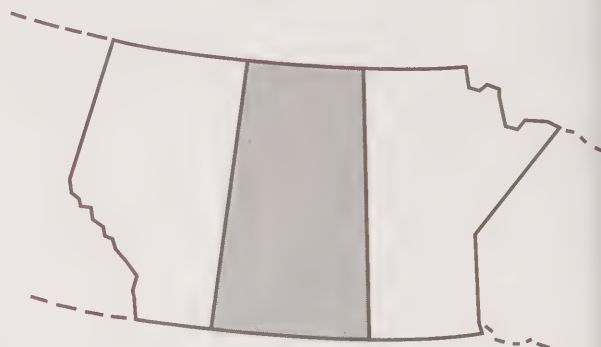
| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 2.0 | 2.1 | 2.4 |
| Employment (% Change) | 2.0 | 0.8 | 1.3 |
| Unemployment Rate (%) | 7.5 | 7.7 | 7.5 |
| Housing Starts (Units) | | | |
| Total | 1963 | 2250 | 2500 |
| Singles | 1564 | 1750 | 1970 |
| Multiples | 399 | 500 | 530 |
| MLS Sales (Units) | 9749 | 10250 | 10100 |
| Average MLS Price (Dollars) | 81897 | 86400 | 87500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Saskatchewan

by Paul Caton and Todd Selby



Highlights

- Economy continues to grow
- Resale prices to rise
- Home builders will be more active

Housing market performance up

Saskatchewan housing markets are on an uptrend this year. Sales of existing homes have increased by 20 per cent, while residential construction has grown by 46 per cent. Contributing to the pressure on Saskatchewan's housing markets have been further declines in vacancy

rates. Increased migration of young adults and seniors from rural Saskatchewan to urban areas has kept vacancies low. The scarcity of rental accommodation has now created an environment where property managers have been able to increase rents for the first time in several years. This has given tenants the motivation to explore the home ownership alternative.

A combination of rising demand and falling supply has pushed prices up in the first six months of the year. These conditions have also created a market that favours sellers in some of the more popular subdivisions in larger centres.

House buyers who cannot find their choice of home in the resale market are now turning their attention to the new home market. The bulk of activity has been in Saskatoon but home building is beginning to rise in Regina as well. A larger (121 per cent at mid-year) increase in single-family activity occurred in areas surrounding Regina and Saskatoon. Home buyers have been taking advantage of rural subdivisions that offer large lots with lower taxes while remaining close to the attractions of a city.

The demand for condominium housing is rising, driven by an aging population seeking maintenance-free housing alternatives. This form of housing has been popular in Saskatoon, where a more fully developed market has emerged. In

the first half of 1996, 291 new condo units were started. Sales have set a pace of 15 to 20 condominium units per month.

1996-97 Outlook

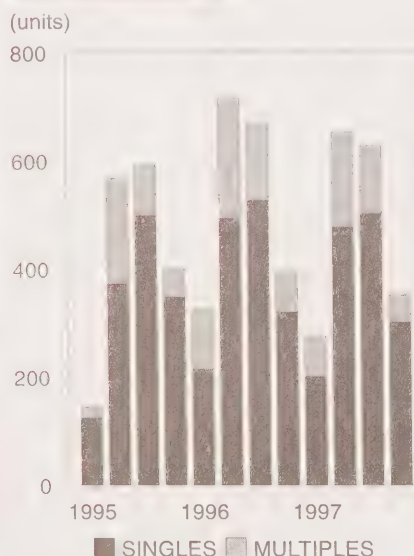
Resource-based industries grow

Economic activity in Saskatchewan will rise partly because of a healthy resource sector. Price increases for uranium and potash sustain production levels in many northern mines and encourage new exploration and expansion. The strong performance of agriculture last year is now being felt around the province. Income earned from crops sold last year is now working its way through the economy. Lumber production in the province is also expanding with rising U.S. demand and higher prices this year. These industries employed 4,000 more people in June than at the same time last year.

The Saskatoon economy will remain active as its manufacturing sector continues to develop and natural-resource-based industries remain healthy. Growth in the mining sector will be a contributing factor as many mining companies have head offices located in Saskatoon. Higher employment levels at Flexi-Coil and Hitachi facilities will also play a role.

The Regina economy has shown renewed growth in the first six months of 1996. Activity in the

Housing Starts SASKATCHEWAN



SOURCE: CMHC.
1996-97 Forecast.

service sector is expanding as call centre operations, such as that of the Canadian Imperial Bank of Commerce, grow. More importantly, the consolidation of government services in the capital has stabilized its economy. There has been an increase of 3,000 jobs in public administration. This employment picture will help consumer confidence in Regina.

Housing markets to remain active

The continued shortage of rental accommodation in 1996-97 will mean the first significant rent increases in the last 10 years. However, rents have not reached levels that would convince developers to invest in new rental housing. Accordingly, low vacancy rates will continue well into 1997.

As rents rise, many households will be looking to homeownership, particularly in the resale market. Consequently, there will be 8,000 homes sold in Saskatchewan's resale markets in 1996, a level not seen since 1988. Despite steady demand,

the inventory of homes for sale will remain at low levels as home owners consider renovation rather than entering the move-up market.

Good affordability in the form of current low house prices and mortgage rates, combined with the shortage of homes for sale, will encourage demand in 1996. Rising house prices will limit demand in 1997, especially in Regina and Saskatoon which account for 75 per cent of all resales in the province. This will result in balanced market conditions throughout much of the province, but in the most popular neighborhoods the market will favour those selling their homes. Resale activity in Saskatoon will moderate while home buying activity will increase in Regina. Saskatchewan's other centres will see limited supply conditions in certain popular price ranges.

House builders will stay busy

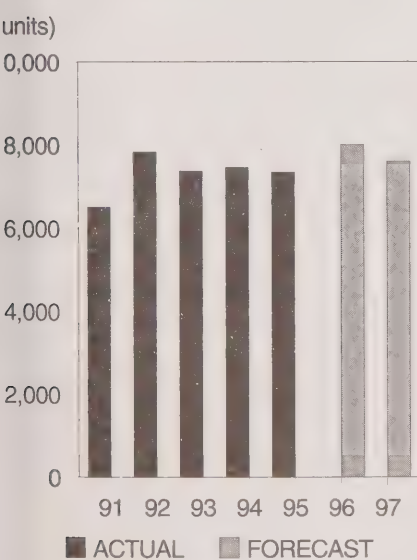
Saskatchewan's new housing market is undergoing significant change. Demand for new housing will again come mainly from the move-up buyers. However, two new market niches have emerged. Empty-nester households will be moving down into smaller homes where quality, amenities, and low maintenance are more important than price. An aging

population will make this group the largest source of demand in future years. The other market will be first-time home buyers. Rising resale prices, due to a shortage of listings, will narrow the gap between resale and new home prices. This, in turn, will make new homes more attractive to first-time buyers.

One trend that will accelerate is an increased demand in outlying subdivisions and smaller centres. Large, low-priced lots will appeal to move-up buyers as well as the first-time buyers.

Demand for condominiums will persist with demand from empty-nester households. These buyers are purchasing luxury and semi-luxury apartments and townhouse units. While the bulk of condo activity in 1996 and 1997 will be in Saskatoon where the market is more developed, the Regina market will begin to grow in 1997.■

Residential MLS Sales SASKATCHEWAN



SOURCE: Canadian Real Estate Association
CMHC: forecast.

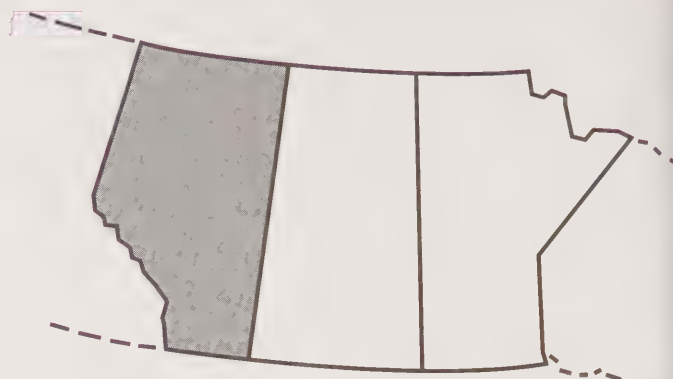
Key Provincial Indicators

| SASKATCHEWAN | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 0.8 | 2.7 | 2.1 |
| Employment (% Change) | 0.7 | 1.7 | 1.1 |
| Unemployment Rate (%) | 6.9 | 6.2 | 6.0 |
| Housing Starts (Units) | | | |
| Total | 1702 | 2100 | 1900 |
| Singles | 1341 | 1550 | 1475 |
| Multiples | 361 | 550 | 425 |
| MLS Sales (Units) | 7349 | 8000 | 7600 |
| Average MLS Price (Dollars) | 73796 | 75000 | 77000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Alberta

by Laurie Scott and Karla Spilsted



Highlights

- Alberta leads country in economic growth
- Migration underpins housing demand
- Residential dwelling starts break 18,000 in 1997

Higher home sales in first half of '96

Alberta's housing markets are trending up this year after declining in 1995. Growing economic momentum, combined with rising employment and in-migration, contributed to renewed activity in the economy and housing markets. One

major change from our previous outlook is that most of the centres in the northern half of the province are beginning to catch up to Calgary, and are now contributing to provincial growth. As a result, much of the hesitation evident in most markets last year has evaporated and housing is again heading up.

Sales on the existing homes market rose 27 per cent in the first half. Low, steady interest rates, affordable prices and healthy inventories are all contributing to higher sales levels in most centres. Despite the increase in activity, prices continue to show only modest improvement, largely because the large number of listings in many centres is keeping prices in check. These affordable conditions are drawing buyers into the market.

Residential construction across the province increased in the first half of 1996, compensating in part for last year's performance. New home construction is rising throughout the province and is up 18 per cent in the first six months of the year. In new home starts, Calgary turned in an impressive performance. In the first half of the year, the city posted more single-family dwelling starts than Vancouver, and ranked second only to Toronto. Smaller centres are also experiencing increased new home construction. In Canmore, for example, demand has pushed starts up 62 per cent over last year. New home construction in Edmonton is also up as lower inventories and

growing demand result in more favourable conditions for builders. Fort McMurray is showing higher activity, with more housing starts in the first half of the year than at any time since 1985.

1996-97 Outlook

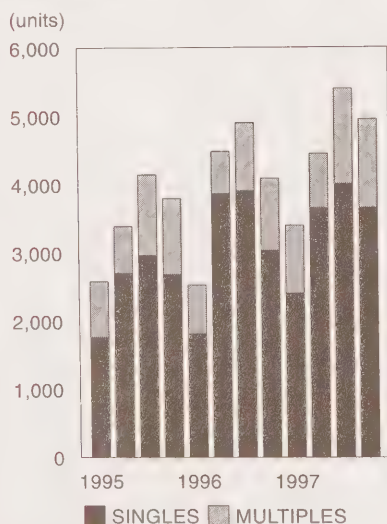
Economy firing on all cylinders in '97

The Alberta economy is poised to set the pace for the rest of the country over the forecast period. Changes to the energy tax and royalty structure have helped pave the way for several billion dollars' worth of investment in heavy oil projects. These large projects will underpin the provincial economy over the long term. In 1997, the most immediate impact will be an increase in investment and employment in non-residential construction. Employment spin-offs from these projects will benefit not only northern centres but also Calgary and Edmonton.

As well, drilling and exploration has remained healthy, above earlier forecasts. Oil and gas exploration is expected to surpass last year's pace of over 11,000 wells. Oil prices have remained higher than expected as a result of strong demand. The outlook for the natural gas industry remains flat until 1998, when pipeline expansion will increase capacity.

Telecommunication, petrochemicals, and forestry are also growth

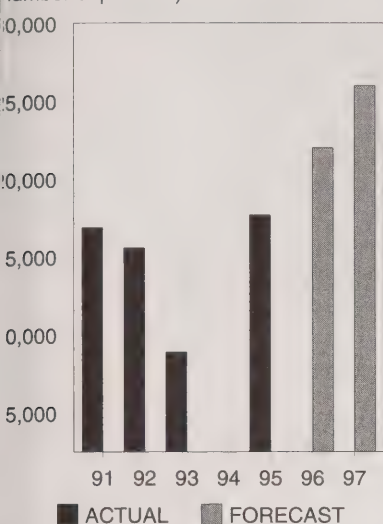
Housing Starts ALBERTA



SOURCE: CMHC.
1996-97 Forecast.

Migration Rising ALBERTA

Number of persons)



SOURCE: Statistics Canada.
CMHC: Forecast.

sectors for the province. Nortel recently expanded manufacturing facilities in Calgary, and NovaCor and Union Carbide will start work on ethylene plants in the Red Deer area next year. Strong world demand for commodities and a low Canadian dollar will help exports lift the provincial economy through the end of 1997.

Migration to the province from other parts of Canada will increase the labour force. Employment opportunities are expected to increase net migration to 26,000 by 1997, the highest level in this decade. Nevertheless, annual unemployment rates will continue to decline to a seven-year low of 7.3 per cent in 1997.

Provincial spending is expected to provide a modest injection to the economy. With a sizable fiscal surplus, the province may be in a position to implement tax reductions, stimulating business and consumer

spending. Robust economic expansion will push GDP growth over 3.0 per cent in both 1996 and 1997.

In contrast to our outlook for the past several years is the contribution that consumers are making to the economy. Employment and wage gains will translate into rising incomes and higher spending over the forecast period. This will benefit housing and other retail markets, bringing increased activity to the service sector.

Housing markets expand in '97

A 15 per cent increase in residential construction is expected this year to 16,000 units. A further 14 per cent gain next year, breaking the 18,000 units mark, will come from a more balanced market with additional multiple starts. The single-family home market will be healthy over the forecast period, increasing 25 per cent by the end of 1996 and a further 9.0 per cent in 1997. Economic growth in rural areas will fuel demand for housing, augmenting prospects in Calgary and Edmonton.

Multiple-family housing construction this year will be dampened by surplus inventory in Edmonton and Calgary. This will be short-lived as demand increases, and active multiple construction is expected to resume in 1997.

Resale markets will continue to perform well for the balance of the year. Sales volumes will end the year at 36,000, up 23.7 per cent over 1995. This will continue into 1997, resulting in an additional 8.3 per cent increase for the province. Higher demand in the market coupled with reasonable inventories of listings in most centres will increase average selling price by 2.8 per cent in 1996 and 3.8 per cent in 1997.

Rental markets will benefit as well. While Edmonton markets continue to recover, the vacancy rate in Calgary will decline to its lowest level in six years. Tighter conditions in the rental market mean that rent increases will likely occur, paving the way for new rental projects by 1997. ■

Key Provincial Indicators

| ALBERTA | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 1.3 | 3.0 | 3.5 |
| Employment (% Change) | 2.7 | 2.8 | 3.1 |
| Unemployment Rate (%) | 7.8 | 7.5 | 7.3 |
| Housing Starts (Units) | | | |
| Total | 13906 | 16000 | 18200 |
| Singles | 10096 | 12600 | 13700 |
| Multiples | 3810 | 3400 | 4500 |
| MLS Sales (Units) | 29098 | 36000 | 39000 |
| Average MLS Price (Dollars) | 114772 | 118000 | 122500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

British Columbia

by Helmut Pastrick



Highlights

- Sales volume inches higher
- Moderate demand outlook
- Housing — half speed ahead

Sales volume inches upward

B.C.'s housing market has made small but important gains so far this year. Sales volume inched forward and unsold inventory of new housing fell.

Housing sales posted a small advance in the second quarter. Seasonally adjusted sales volume increased by 8.0 per cent over the first quarter, 30 per cent above the same period in 1995. However, volume then was at its low point, so the year-over-year gain will shrink as the year progresses.

The foundation for a better new construction market is beginning to form, though declining prices have offered no support. The large number of resale units on the market has pushed prices down. At present sales rates, it will probably be several more months before prices stabilize.

Increased activity occurred in new high-rise apartment condominiums in the second quarter and in July, mainly in the downtown Vancouver area. Pre-construction sales activity in a few large projects had a noticeable impact on the region's monthly sales total. However, this construction wave will soon end since large projects take a longer time to absorb and the two large newly introduced development sites will be phased in over several years.

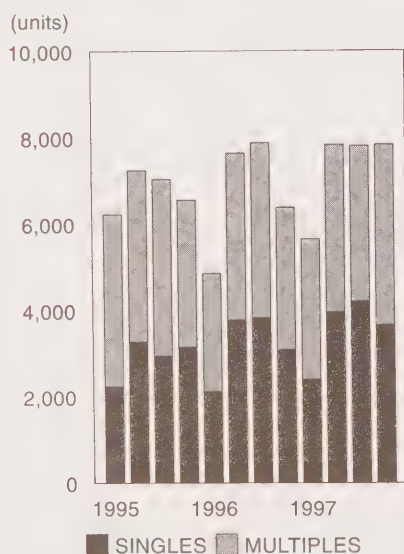
Sales activity is spotty and at moderate levels overall, with the affordable market accounting for much of the stimulus. The trade-up and empty nester markets are slow. New housing has difficulty competing for sales against the less expensive existing housing stock.

Single-family construction is rising. Most centres are up by 20 per cent over last year's low levels. The pace of recovery is held back by weak pricing conditions, even though unsold inventory level is down by over one third from a year ago. In the Vancouver area, the high land cost makes new houses less affordable and the market dependent upon the trade-up segment.

The new semi-detached and row housing sectors are also moving up. Unsold inventory levels dropped by one third from the peak in mid 1995. Volumes in this market are small by comparison with the new house and apartment markets, but it is a steadily growing sector.

Overall, the housing market made a little headway toward more balance. While the building sector continues to make further adjustments toward this goal, the resale market remains largely oversupplied. How long before balanced market conditions prevail will depend mostly on sales rates.

Housing Starts BRITISH COLUMBIA



SOURCE: CMHC.
1995-96 Forecast.

1996-97 Outlook

Moderate demand outlook

A moderately growing economy, slower population growth, and the expectation of higher mortgage rates translates into lacklustre advances in housing demand.

B.C.'s economy is expected to grow about 2.0 per cent this year and by an additional 2.5 per cent next year. Exports of the province's resources, particularly forest products, are not providing the same stimulus as in previous years. Lower pulp and newsprint prices, along with weaker demand from Japan and to a lesser extent from the U.S., have taken some wind out of export's sails. Next year, a stronger Japanese economy may compensate for a slowing U.S.

One area with good prospects is tourism. In addition to the support of a low dollar, some structural changes are helping tourism. The Vancouver International Airport, recently expanded at a cost of several hundred million dollars, now has the capacity for a large increase in air traffic and passengers, mostly from other countries. The Open Skies Agreement with the U.S. has meant more than double the number of direct connections from Vancouver to major U.S. cities. This has positive implications for business as well as tourism.

Capital investment and spending are slowing down. There are few new large projects to fill the vacuum left by completed projects, such as the airport expansion. Further, the newly elected provincial government has announced a temporary freeze on capital spending projects. The negligible increase in total capital expenditures in B.C. last year, excluding housing, will turn into a decline this year. Only slight improvement is expected next year.

Consumer demand fundamentally determines growth of this economy — it is responsible for two thirds of economic activity. With low employment and income growth, job uncertainty, and dwindling savings, consumer spending has not been strong. Retail sales are showing small gains, but are falling when adjusted on a real per capita basis. Slower

population growth and housing markets have also resulted in less consumer spending.

Consumers next year will be faced with quite similar conditions. The prospects for higher income growth are limited by a high unemployment rate and by restraint from many employers. Job and financial uncertainty will continue. Further, homeowners will feel less wealthy since housing prices have dropped in the past two years.

Government spending is restrained by deficit and debt reduction targets. Little, if any, growth can be expected from this sector next year.

Population flows to B.C. are down. Relatively stronger economic growth in other parts of the country, especially Alberta, is reducing net inter-provincial migration. More people are leaving B.C. than before, partly because of higher housing costs. International migration now accounts for two thirds of total net migration to the province; but, with changes in national immigration levels, it is lower than in recent years. Turning Hong Kong over to China next year may cause a new wave of migration to B.C. and lend support to housing demand.

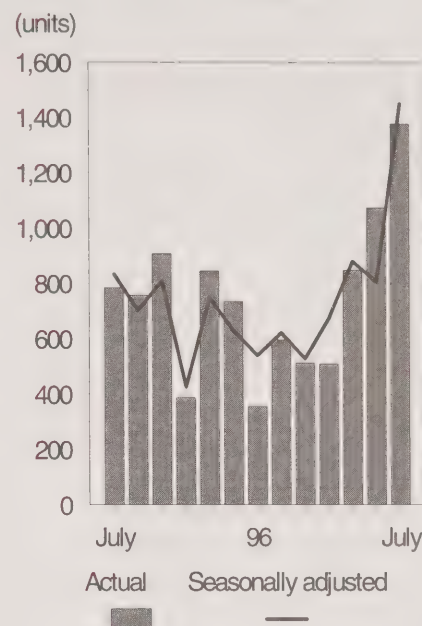
Economic conditions will likely be mixed next year, holding growth in B.C.'s economy near or below the national average.

Housing — half speed ahead

Housing construction is expected to fall this year to 26,750 units and to revive somewhat next year to 29,100 units. These activity levels will remain below those seen in the early 1990s. Housing sales volume will also remain below recent highs.

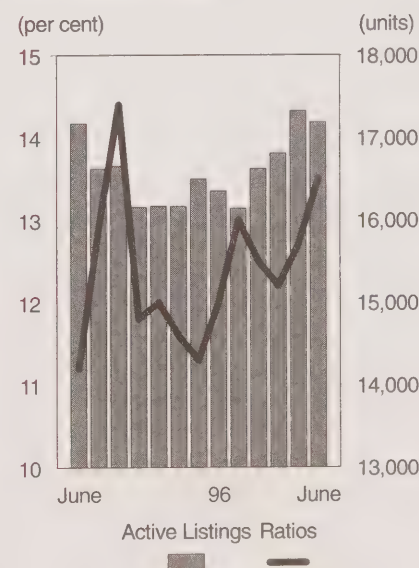
More inventory adjustment lies ahead for new housing in 1997. New apartment condominium construction is expected to fall back after the current wave in high-rise construction. A diminishing number

Apartment Condominium Starts, Urban British Columbia



SOURCE: CMHC.

Active Listings and Sales-to-Active Listings Ratios, Seasonally Adjusted, Vancouver Area



SOURCE: Vancouver Real Estate Board, Seasonal adjustment by CMHC.

of building permits issued but not started indicate that recent activity is temporary. The low-rise apartment sector will probably experience higher construction levels in the second half of 1997.

High rise condominium apartment construction is being lifted by the development of some prime sites in downtown Vancouver, such as the Bayshore, Coal Harbour, and Concord Pacific sites. Subsequent phases will commence in 1997.

In the new single-family market, gains will remain modest. The primary obstacle is the high cost of land, which has come down in the last two years. Affordable new houses are difficult to build at current densities. An emerging trend in some suburban areas of Vancouver features developments with small lots and small houses.

The markets for new move-up and luxury houses are less active. Demand is low because of moderate turnover in the existing stock, stiff competition from existing houses, and less migration.

One sector that will increase next year is medium-density, ground-oriented housing, such as semi-

detached and row units. These units offer an affordable alternative to single-family houses.

New house prices are expected to stabilize next year. Excess inventory is becoming less of a factor and should be down next year to levels that allow prices to stabilize. Stiff competition from the resale market in the face of moderate demand growth will also limit pricing.

The resale market will remain in excess supply into 1997. With current high prices, some home owners are

encouraged to put up their house for sale and move to less expensive properties, thus increasing market listings. This, combined with moderate demand, will tend to lower prices further. Balanced resale market conditions are not expected before mid 1997. ■

Key Provincial Indicators

BRITISH COLUMBIA

| | 1995 | 1996 ^(F) | 1997 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 1.7 | 2.0 | 2.5 |
| Employment (% Change) | 1.7 | 2.2 | 2.0 |
| Unemployment Rate (%) | 9.0 | 8.5 | 8.3 |
| Housing Starts (Units) | | | |
| Total | 27057 | 26750 | 29100 |
| Singles | 11581 | 12800 | 14200 |
| Multiples | 15476 | 13950 | 14900 |
| MLS Sales (Units) | 58082 | 68000 | 73500 |
| Average MLS Price (Dollars) | 221911 | 221000 | 219000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Housing Starts

Total (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 2836 | 2271 | 2405 | 2243 | 1712 | 1750 | 1625 |
| % | -12.6 | -19.9 | 5.9 | -6.7 | -23.7 | 2.2 | -7.1 |
| PEI | 553 | 644 | 645 | 669 | 422 | 545 | 485 |
| % | -27.4 | 16.5 | 0.2 | 3.7 | -36.9 | 29.1 | -11.0 |
| NS | 5173 | 4673 | 4282 | 4748 | 4168 | 4400 | 3700 |
| % | -7.0 | -9.7 | -8.4 | 10.9 | -12.2 | 5.6 | -15.9 |
| NB | 2872 | 3310 | 3693 | 3203 | 2300 | 2600 | 2700 |
| % | 7.0 | 15.3 | 11.6 | -13.3 | -28.2 | 13.0 | 3.8 |
| QUE | 44654 | 38228 | 34015 | 34154 | 21885 | 24300 | 27500 |
| % | -7.1 | -14.4 | -11.0 | 0.4 | -35.9 | 11.0 | 13.2 |
| ONT | 52794 | 55772 | 45140 | 46645 | 35818 | 42300 | 45000 |
| % | -15.7 | 5.6 | -19.1 | 3.3 | -23.2 | 18.1 | 6.4 |
| MAN | 1950 | 2310 | 2425 | 3197 | 1963 | 2250 | 2500 |
| % | -40.9 | 18.5 | 5.0 | 31.8 | -38.6 | 14.6 | 11.1 |
| SASK | 998 | 1869 | 1880 | 2098 | 1702 | 2100 | 1900 |
| % | -29.6 | 87.3 | 0.6 | 11.6 | -18.9 | 23.4 | -9.5 |
| ALTA | 12492 | 18573 | 18151 | 17692 | 13906 | 16000 | 18200 |
| % | -27.5 | 48.7 | -2.3 | -2.5 | -21.4 | 15.1 | 13.8 |
| BC | 31875 | 40621 | 42807 | 39408 | 27057 | 26750 | 29100 |
| % | -13.2 | 27.4 | 5.4 | -7.9 | -31.3 | -1.1 | 8.8 |
| CAN | 156197 | 168271 | 155443 | 154057 | 110933 | *123000 | *132700 |
| % | -14.0 | 7.7 | -7.6 | -0.9 | -28.0 | 10.9 | 7.9 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 2135 | 1611 | 1559 | 1455 | 1165 | 1175 | 1075 |
| % | -13.5 | -24.5 | -3.2 | -6.7 | -19.9 | 0.9 | -8.5 |
| PEI | 376 | 421 | 460 | 454 | 364 | 425 | 415 |
| % | -22.2 | 12.0 | 9.3 | -1.3 | -19.8 | 16.8 | -2.4 |
| NS | 2604 | 3232 | 3126 | 3358 | 3040 | 3400 | 3000 |
| % | -28.4 | 24.1 | -3.3 | 7.4 | -9.5 | 11.8 | -11.8 |
| NB | 2154 | 2391 | 2535 | 2547 | 1722 | 2100 | 2140 |
| % | 0.8 | 11.0 | 6.0 | 0.5 | -32.4 | 22.0 | 1.9 |
| QUE | 22531 | 18564 | 17136 | 18414 | 13428 | 16300 | 18000 |
| % | -9.7 | -17.6 | -7.7 | 7.5 | -27.1 | 21.4 | 10.4 |
| ONT | 26290 | 27868 | 26240 | 30036 | 20124 | 27000 | 28500 |
| % | -18.9 | 6.0 | -5.8 | 14.5 | -33.0 | 34.2 | 5.6 |
| MAN | 1589 | 1683 | 1874 | 2441 | 1564 | 1750 | 1970 |
| % | -44.2 | 5.9 | 11.3 | 30.3 | -35.9 | 11.9 | 12.6 |
| SASK | 775 | 1484 | 1342 | 1542 | 1341 | 1550 | 1475 |
| % | -28.7 | 91.5 | -9.6 | 14.9 | -13.0 | 15.6 | -4.8 |
| ALTA | 9778 | 14125 | 13040 | 12671 | 10096 | 12600 | 13700 |
| % | -29.2 | 44.5 | -7.7 | -2.8 | -20.3 | 24.8 | 8.7 |
| BC | 18335 | 21472 | 17787 | 16591 | 11581 | 12800 | 14200 |
| % | -0.8 | 17.1 | -17.2 | -6.7 | -30.2 | 10.5 | 10.9 |
| CAN | 86567 | 92851 | 85099 | 89509 | 64425 | *79100 | *84500 |
| % | -15.4 | 7.3 | -8.3 | 5.2 | -28.0 | 22.8 | 6.8 |

Multiples (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 701 | 660 | 846 | 788 | 547 | 575 | 550 |
| % | -9.8 | -5.8 | 28.2 | -6.9 | -30.6 | 5.1 | -4.3 |
| PEI | 177 | 223 | 185 | 215 | 58 | 120 | 70 |
| % | -36.6 | 26.0 | -17.0 | 16.2 | -73.0 | 106.9 | -41.7 |
| NS | 2569 | 1441 | 1156 | 1390 | 1128 | 1000 | 700 |
| % | 33.7 | -43.9 | -19.8 | 20.2 | -18.8 | -11.3 | -30.0 |
| NB | 718 | 919 | 1158 | 656 | 578 | 500 | 560 |
| % | 31.5 | 28.0 | 26.0 | -43.4 | -11.9 | -13.5 | 12.0 |
| QUE | 22123 | 19664 | 16879 | 15740 | 8457 | 8000 | 9500 |
| % | -4.3 | -11.1 | -14.2 | -6.7 | -46.3 | -5.4 | 18.8 |
| ONT | 26504 | 27904 | 18900 | 16609 | 15694 | 15300 | 16500 |
| % | -12.3 | 5.3 | -32.3 | -12.1 | -5.5 | -2.5 | 7.8 |
| MAN | 361 | 627 | 551 | 756 | 399 | 500 | 530 |
| % | -19.8 | 73.7 | -12.1 | 37.2 | -47.2 | 25.3 | 6.0 |
| SASK | 223 | 385 | 538 | 556 | 361 | 550 | 425 |
| % | -32.4 | 72.6 | 39.7 | 3.3 | -35.1 | 52.4 | -22.7 |
| ALTA | 2714 | 4448 | 5111 | 5021 | 3810 | 3400 | 4500 |
| % | -20.6 | 63.9 | 14.9 | -1.8 | -24.1 | -10.8 | 32.4 |
| BC | 13540 | 19149 | 25020 | 22817 | 15476 | 13950 | 14900 |
| % | -25.8 | 41.4 | 30.7 | -8.8 | -32.2 | -9.9 | 6.8 |
| CAN | 69630 | 75420 | 70344 | 64548 | 46508 | *43900 | *48200 |
| % | -12.2 | 8.3 | -6.7 | -8.2 | -27.9 | -5.6 | 9.8 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

| | | Centres 10,000 Population and Over | | | | | | Other Areas | All Areas Total |
|------|------|---------------------------------------|-----------------|-------|--------|------------------|-------|-------------|-----------------|
| | | Rental\Co-op Private Assisted | Total Rental | Condo | Other* | Total 10,000+ | | | |
| NFLD | 1995 | 49 | 0 | 49 | 31 | 447 | 527 | 20 | 547 |
| | 1996 | 28 | 0 | 28 | 50 | 480 | 558 | 17 | 575 |
| | 1997 | 48 | 0 | 48 | 132 | 340 | 520 | 30 | 550 |
| PEI | 1995 | 51 | 0 | 51 | 0 | 0 | 51 | 7 | 58 |
| | 1996 | 110 | 0 | 110 | 0 | 0 | 110 | 10 | 120 |
| | 1997 | 60 | 0 | 60 | 0 | 0 | 60 | 10 | 70 |
| NS | 1995 | 579 | 0 | 579 | 24 | 414 | 1017 | 111 | 1128 |
| | 1996 | 383 | 0 | 383 | 0 | 482 | 865 | 135 | 1000 |
| | 1997 | 305 | 0 | 305 | 0 | 300 | 605 | 95 | 700 |
| NB | 1995 | 359 | 0 | 359 | 16 | 87 | 462 | 116 | 578 |
| | 1996 | 346 | 0 | 346 | 14 | 80 | 440 | 60 | 500 |
| | 1997 | 344 | 0 | 344 | 26 | 105 | 475 | 85 | 560 |
| QUE | 1995 | 2641 | 0 | 2641 | 2171 | 2965 | 7777 | 680 | 8457 |
| | 1996 | 2500 | 0 | 2500 | 1800 | 3000 | 7300 | 700 | 8000 |
| | 1997 | 3000 | 0 | 3000 | 2200 | 3300 | 8500 | 1000 | 9500 |
| ONT | 1995 | 547 | 2945 | 3492 | 5661 | 6147 | 15300 | 394 | 15694 |
| | 1996 | 1200 | 900 | 2100 | 4900 | 7700 | 14700 | 600 | 15300 |
| | 1997 | 1600 | 0 | 1600 | 6200 | 7700 | 15500 | 1000 | 16500 |
| MAN | 1995 | 0 | 0 | 0 | 273 | 26 | 299 | 100 | 399 |
| | 1996 | 125 | 0 | 125 | 250 | 0 | 375 | 125 | 500 |
| | 1997 | 130 | 0 | 130 | 250 | 0 | 380 | 150 | 530 |
| SASK | 1995 | 33 | 0 | 33 | 281 | 6 | 320 | 41 | 361 |
| | 1996 | 20 | 0 | 20 | 470 | 10 | 500 | 50 | 550 |
| | 1997 | 25 | 0 | 25 | 360 | 10 | 395 | 30 | 425 |
| ALTA | 1995 | 196 | 0 | 196 | 2562 | 358 | 3116 | 694 | 3810 |
| | 1996 | 200 | 0 | 200 | 2045 | 250 | 2495 | 905 | 3400 |
| | 1997 | 400 | 0 | 400 | 2965 | 250 | 3615 | 885 | 4500 |
| BC | 1995 | 843 | 350 | 1193 | 12769 | 672 | 14634 | 842 | 15476 |
| | 1996 | 950 | 500 | 1450 | 11250 | 950 | 13650 | 300 | 13950 |
| | 1997 | 900 | 500 | 1400 | 12000 | 1000 | 14400 | 500 | 14900 |
| CAN | 1995 | 5298 | 3295 | 8593 | 24582 | 11122 | 43503 | 3005 | 46508 |
| | 1996 | 5862 | 1400 | 7262 | 21979 | 12952 | 40993 | 2902 | **43900 |
| | 1997 | 6812 | 500 | 7312 | 25233 | 13005 | 44450 | 3785 | **48200 |

SOURCE: CMHC.

1995 Actual, 1996-97 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

Housing Starts

Total New House Price Index* (annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------------------------|-------|------|------|------|------|---------------------|---------------------|
| ST. JOHN'S | 7.2 | 0.8 | 0.1 | 0.4 | 0.1 | -1.0 | 0.5 |
| HALIFAX | -0.2 | 1.1 | 3.0 | 2.8 | 2.9 | 0.9 | 3.5 |
| SAINT JOHN | 0.9 | 0.9 | -0.1 | 0.1 | -0.1 | -0.7 | -0.5 |
| QUÉBEC CITY | 2.8 | 0.8 | -0.3 | -0.5 | 0.8 | -0.5 | 0.5 |
| MONTREAL | 0.6 | 0.1 | 0.8 | 0.6 | 0.8 | -0.5 | 1.0 |
| OTTAWA | -0.4 | 0.1 | -0.6 | 0.2 | -1.8 | -1.4 | 0.9 |
| TORONTO | -15.1 | -4.4 | -2.4 | -0.2 | 0.7 | -1.4 | 0.0 |
| HAMILTON | -5.9 | -3.6 | -2.6 | -0.3 | -1.1 | -1.0 | 0.7 |
| ST. CATHARINES | -3.5 | -2.4 | -3.2 | -4.0 | -0.8 | 0.7 | 0.4 |
| KITCHENER | -7.8 | -3.0 | 0.8 | -2.6 | -0.7 | 0.1 | 0.3 |
| LONDON | 0.5 | 0.2 | -0.1 | 0.2 | -2.7 | -1.1 | 0.5 |
| WINDSOR | -0.0 | -0.1 | -0.5 | 0.1 | 1.1 | -0.1 | 0.5 |
| SUDBURY- THUNDER BAY | 0.3 | -0.5 | 1.9 | 1.4 | 0.2 | -0.3 | -0.1 |
| WINNIPEG | -0.2 | -0.1 | 3.5 | 3.4 | 1.5 | 1.2 | 1.5 |
| REGINA | 2.4 | 4.6 | 5.5 | 3.9 | 3.1 | 2.5 | 2.0 |
| SASKATOON | -0.8 | 0.5 | 3.4 | 1.5 | 0.9 | 2.0 | 2.0 |
| CALGARY | -2.7 | 0.6 | 3.1 | 2.4 | 0.8 | 1.0 | 1.5 |
| EDMONTON | 2.2 | 0.9 | 3.5 | 0.9 | -1.3 | 0.8 | 1.5 |
| VANCOUVER | -7.2 | 8.8 | 7.7 | -0.6 | -5.2 | -6.0 | 3.0 |
| VICTORIA | -1.5 | 4.9 | 3.0 | -0.9 | -8.6 | -6.6 | 1.4 |
| CANADA | -6.9 | 0.0 | 1.2 | 0.1 | -1.2 | -1.8 | 1.2 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1892 | 1829 | 1867 | 1873 | 1655 | 1850 | 1725 |
| % | -5.3 | -3.3 | 2.1 | 0.3 | -11.6 | 11.8 | -6.8 |
| PEI | 764 | 604 | 654 | 599 | 476 | 525 | 485 |
| % | 3.0 | -20.9 | 8.3 | -8.4 | -20.5 | 10.3 | -7.6 |
| NS | 5811 | 6958 | 7180 | 7140 | 7019 | 7100 | 6800 |
| % | -4.3 | 19.7 | 3.2 | -0.6 | -1.7 | 1.2 | -4.2 |
| NB | 3259 | 3550 | 3483 | 3339 | 3496 | 3600 | 3750 |
| % | -1.7 | 8.9 | -1.9 | -4.1 | 4.7 | 3.0 | 4.2 |
| QUE | 28005 | 31946 | 31875 | 33575 | 29824 | 34000 | 34500 |
| % | -0.2 | 14.1 | -0.2 | 5.3 | -11.2 | 14.0 | 1.5 |
| ONT | 126143 | 131380 | 121558 | 130360 | 115512 | 132000 | 129000 |
| % | 22.7 | 4.2 | -7.5 | 7.2 | -11.4 | 14.3 | -2.3 |
| MAN | 9521 | 11383 | 10556 | 10825 | 9749 | 10250 | 10100 |
| % | 1.8 | 19.6 | -7.3 | 2.5 | -9.9 | 5.1 | -1.5 |
| SASK | 6505 | 7829 | 7375 | 7459 | 7349 | 8000 | 7600 |
| % | 1.6 | 20.4 | -5.8 | 1.1 | -1.5 | 8.9 | -5.0 |
| ALTA | 34360 | 38545 | 37024 | 32512 | 29098 | 36000 | 39000 |
| % | 3.9 | 12.2 | -3.9 | -12.2 | -10.5 | 23.7 | 8.3 |
| BC | 84554 | 93564 | 80919 | 75270 | 58082 | 68000 | 73500 |
| % | 45.7 | 10.7 | -13.5 | -7.0 | -22.8 | 17.1 | 8.1 |
| CAN** | 300814 | 327588 | 302491 | 302952 | 262260 | *301300 | *306500 |
| % | 20.4 | 8.9 | -7.7 | 0.2 | -13.4 | 14.9 | 1.7 |

Average Residential Price (dollars and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 90822 | 92137 | 91243 | 91697 | 89525 | 92000 | 91500 |
| % | 2.4 | 1.4 | -1.0 | 0.5 | -2.4 | 2.8 | -0.5 |
| PEI | 71033 | 75570 | 72422 | 78753 | 73807 | 77000 | 75500 |
| % | 2.5 | 6.4 | -4.2 | 8.7 | -6.3 | 4.3 | -1.9 |
| NS | 86462 | 87685 | 88965 | 91109 | 89788 | 92000 | 93000 |
| % | 2.1 | 1.4 | 1.5 | 2.4 | -1.4 | 2.5 | 1.1 |
| NB | 80897 | 82478 | 84951 | 84149 | 83994 | 84000 | 84500 |
| % | 4.0 | 2.0 | 3.0 | -0.9 | -0.2 | 0.0 | 0.6 |
| QUE | 102795 | 102311 | 102447 | 102242 | 98837 | 100000 | 101000 |
| % | 2.0 | -0.5 | 0.1 | -0.2 | -3.3 | 1.2 | 1.0 |
| ONT | 173723 | 162827 | 157672 | 161165 | 154997 | 157000 | 159000 |
| % | -1.2 | -6.3 | -3.2 | 2.2 | -3.8 | 1.3 | 1.3 |
| MAN | 80445 | 80686 | 81739 | 83761 | 81897 | 86400 | 87500 |
| % | 0.6 | 0.3 | 1.3 | 2.5 | -2.2 | 5.5 | 1.3 |
| SASK | 67697 | 68406 | 70698 | 72738 | 73796 | 75000 | 77000 |
| % | -1.8 | 1.0 | 3.4 | 2.9 | 1.5 | 1.6 | 2.7 |
| ALTA | 111482 | 113558 | 117085 | 117336 | 114772 | 118000 | 122500 |
| % | 2.6 | 1.9 | 3.1 | 0.2 | -2.2 | 2.8 | 3.8 |
| BC | 168235 | 189999 | 211992 | 229514 | 221911 | 221000 | 219000 |
| % | 6.7 | 12.9 | 11.6 | 8.3 | -3.3 | -0.4 | -0.9 |
| CAN** | 149749 | 150756 | 153583 | 158878 | 150722 | *152800 | *154900 |
| % | 4.4 | 0.7 | 1.9 | 3.4 | -5.1 | 1.4 | 1.4 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

NOTE: Historical data has been revised by CREA since this forecast. CMHC recommends using the percentage change forecasts rather than the level forecasts.

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

| | *Number of Units | 1994 | | 1995 | | 1996 | 1997 |
|----------------------------|---------------------|------|-----|------|------|--------------------|--------------------|
| | | APR | OCT | APR | OCT | OCT ^(F) | OCT ^(F) |
| CALGARY | 47930 | 6.3 | 5.1 | 4.6 | 3.6 | 2.7 | 2.0 |
| CHICOUTIMI- JONQUIÈRE | 8190 | 5.3 | 6.3 | 5.5 | 6.0 | 5.7 | 5.3 |
| EDMONTON | 64748 | 9.1 | 8.9 | 10.2 | 10.2 | 8.0 | 6.0 |
| HALIFAX | 32073 | 7.2 | 7.2 | 7.2 | 7.7 | 8.1 | 7.4 |
| HAMILTON | 43282 | 2.7 | 2.4 | 2.4 | 2.0 | 1.8 | 1.6 |
| KITCHENER | 25930 | 4.2 | 2.8 | 2.6 | 2.2 | 2.2 | 2.0 |
| LONDON | 39674 | 4.7 | 4.1 | 3.9 | 4.3 | 4.2 | 3.9 |
| MONTRÉAL | 453451 | 6.4 | 6.8 | 5.8 | 6.2 | 5.8 | 5.6 |
| OSHAWA | 11085 | 4.1 | 3.4 | 2.6 | 2.7 | 2.7 | 2.2 |
| OTTAWA | 60772 | 2.5 | 2.6 | 3.4 | 3.8 | 4.0 | 3.5 |
| HULL | 18378 | 4.7 | 6.6 | 5.6 | 8.3 | 7.5 | 7.0 |
| QUÉBEC CITY | 71301 | 5.7 | 6.9 | 5.6 | 6.0 | 5.5 | 5.2 |
| REGINA | 12088 | 4.1 | 3.2 | 3.3 | 2.1 | 1.7 | 2.0 |
| ST. CATHARINES- NIAGARA | 16631 | 6.0 | 5.8 | 4.9 | 5.2 | 4.9 | 4.3 |
| SAINT JOHN | 7939 | 8.7 | 8.0 | 8.8 | 8.6 | 9.0 | 9.2 |
| ST. JOHN'S | 4727 | 10.6 | 7.1 | 9.1 | 10.8 | 12.5 | 13.0 |
| SASKATOON | 17676 | 4.0 | 1.8 | 2.3 | 1.0 | 1.5 | 2.0 |
| SHERBROOKE | 23503 | 6.2 | 8.0 | 6.2 | 6.2 | 5.8 | 5.4 |
| SUDBURY | 10832 | 5.1 | 4.3 | 6.2 | 6.0 | 6.5 | 6.5 |
| THUNDER BAY | 5346 | 4.4 | 4.1 | 6.4 | 6.2 | 6.2 | 5.9 |
| TORONTO | 298962 | 1.8 | 1.2 | 1.0 | 0.8 | 1.0 | 0.8 |
| TROIS-RIVIÈRES | 16023 | 6.3 | 7.4 | 7.3 | 7.2 | 6.3 | 5.6 |
| VANCOUVER | 106754 | 1.4 | 0.8 | 1.3 | 1.2 | 1.5 | 1.7 |
| VICTORIA | 24551 | 3.0 | 1.9 | 4.1 | 3.3 | 3.9 | 3.3 |
| WINDSOR | 14738 | 2.6 | 1.6 | 1.3 | 1.8 | 1.1 | 1.4 |
| WINNIPEG | 55468 | 5.4 | 5.6 | 4.7 | 5.4 | 5.2 | 5.0 |
| CANADA** | 1492052 | 4.6 | 4.6 | 4.2 | 4.3 | 4.1 | 3.8 |

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1995.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|------|------|------|------|------|---------------------|---------------------|
| NFLD | -1.5 | -4.4 | -0.5 | 0.5 | 1.5 | -6.0 | -2.5 |
| PEI | -3.6 | 1.9 | 0.0 | 3.7 | 5.4 | 3.4 | -1.6 |
| NS | -2.1 | -2.9 | -0.8 | 3.3 | 1.1 | 1.0 | 1.1 |
| NB | -1.7 | 1.7 | 1.0 | 0.7 | 2.3 | 0.7 | 1.6 |
| QUE | -2.3 | -1.0 | 0.4 | 2.5 | 1.5 | 1.5 | 1.4 |
| ONT | -3.5 | -0.9 | 1.8 | 1.4 | 1.4 | 1.5 | 1.9 |
| MAN | -2.3 | -1.6 | 2.2 | 0.4 | 2.0 | 0.8 | 1.3 |
| SASK | 0.0 | -1.5 | 0.9 | 0.4 | 0.7 | 1.7 | 1.1 |
| ALTA | 1.0 | -0.4 | 0.9 | 3.2 | 2.7 | 2.8 | 3.1 |
| BC | 1.5 | 2.1 | 2.9 | 4.0 | 1.7 | 2.2 | 2.0 |
| CAN | -1.9 | -0.6 | 1.3 | 2.1 | 1.6 | 1.6 | 1.8 |

Unemployment Rate (per cent)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|------|------|------|------|------|---------------------|---------------------|
| NFLD | 18.3 | 20.2 | 20.1 | 20.4 | 18.3 | 20.7 | 21.2 |
| PEI | 16.9 | 17.9 | 18.1 | 17.1 | 14.7 | 14.0 | 15.0 |
| NS | 12.0 | 13.2 | 14.7 | 13.3 | 12.1 | 11.6 | 11.3 |
| NB | 12.8 | 12.8 | 12.6 | 12.4 | 11.5 | 11.5 | 10.8 |
| QUE | 12.0 | 12.8 | 13.2 | 12.2 | 11.3 | 10.9 | 10.8 |
| ONT | 9.6 | 10.9 | 10.6 | 9.6 | 8.7 | 9.1 | 8.8 |
| MAN | 8.9 | 9.7 | 9.3 | 9.2 | 7.5 | 7.7 | 7.5 |
| SASK | 7.3 | 8.2 | 8.0 | 7.0 | 6.9 | 6.2 | 6.0 |
| ALTA | 8.3 | 9.5 | 9.7 | 8.6 | 7.8 | 7.5 | 7.3 |
| BC | 10.0 | 10.5 | 9.7 | 9.4 | 9.0 | 8.5 | 8.3 |
| CAN | 10.3 | 11.3 | 11.2 | 10.4 | 9.5 | 9.5 | 9.3 |

SOURCE: Statistics Canada.
(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | -271 | -910 | -3465 | -7105 | -6535 | -8000 | -7500 |
| PEI | -308 | 605 | 778 | 1198 | 976 | 645 | 375 |
| NS | 1787 | 2479 | 569 | -632 | 2472 | 900 | 600 |
| NB | 245 | -436 | -393 | -562 | -427 | -450 | -250 |
| QUE | 23297 | 32866 | 30165 | 29 | 16182 | 8700 | 11200 |
| ONT | 68108 | 98211 | 76221 | 62876 | 117244 | 100000 | 97000 |
| MAN | -2524 | -1657 | -1319 | -1473 | 1681 | 1300 | 1250 |
| SASK | -7098 | -4422 | -3104 | -3024 | -341 | -325 | -475 |
| ALTA | 16876 | 15570 | 8890 | 1953 | 17683 | 22000 | 26000 |
| BC | 62978 | 78712 | 76251 | 77235 | 78192 | 54900 | 50900 |
| CAN** | 163090 | 221018 | 184593 | 130495 | 227127 | 179670 | 179100 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly percentage change)

| | 94:Q4 | 95:Q1 | 95:Q2 | 95:Q3 | 95:Q4 | 96:Q1 | 96:Q2 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 139.0 | 124.4 | 112.6 | 114.4 | 105.9 | 130.9 | 128.9 |
| % | -7.0 | -10.5 | -9.5 | 1.6 | -7.4 | 23.6 | -1.5 |
| Housing starts, total, thousands | 138.9 | 122.3 | 106.8 | 104.2 | 110.3 | 112.1 | 124.6 |
| % | -10.8 | -12.0 | -12.7 | -2.4 | 5.9 | 1.6 | 11.2 |
| Housing starts, singles, thousands | 77.1 | 69.8 | 61.3 | 60.6 | 65.5 | 69.0 | 79.4 |
| % | -17.9 | -9.5 | -12.2 | -1.1 | 8.1 | 5.3 | 15.1 |
| Housing starts, multiples, thousands | 61.8 | 52.5 | 45.5 | 43.6 | 44.8 | 43.1 | 45.2 |
| % | 0.0 | -15.0 | -13.3 | -4.2 | 2.8 | -3.8 | 4.9 |
| Housing completions, total, thousands | 159.5 | 134.5 | 124.4 | 109.3 | 109.7 | 114.1 | 111.6 |
| % | -9.2 | -15.6 | -7.5 | -12.2 | 0.5 | 4.0 | -2.2 |
| New house price index, 1986=100 | 135.9 | 135.8 | 134.8 | 134.1 | 133.3 | 132.8 | 131.5 |
| % | 0.0 | -0.1 | -0.7 | -0.5 | -0.6 | -0.6 | -0.4 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 276.3 | 227.8 | 254.5 | 297.3 | 268.3 | 291.1 | 303.2 |
| % | 3.0 | -17.6 | 11.8 | 16.8 | -9.8 | 8.5 | 4.1 |
| MLS average resale price, \$C thousands | 157.9 | 150.8 | 148.8 | 151.8 | 150.2 | 147.3 | 149.4 |
| % | -1.7 | -4.5 | -1.3 | 2.1 | -1.1 | -1.9 | 1.4 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 330.1 | 332.8 | 334.1 | 336.2 | 339.1 | 343.1 | .. |
| % | 0.8 | 0.8 | 0.4 | 0.6 | 0.9 | 1.2 | .. |
| Mortgage approvals, \$C billions | 55.4 | 46.3 | 52.2 | 65.3 | 54.5 | 67.0 | .. |
| % | -3.2 | -16.3 | 12.6 | 25.0 | -16.5 | 22.9 | .. |
| 1-year mortgage rate, per cent* | 8.50 | 9.63 | 8.50 | 7.96 | 7.42 | 6.75 | 6.50 |
| 5-year mortgage rate, per cent* | 10.10 | 10.34 | 8.96 | 8.80 | 8.53 | 8.03 | 8.50 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 30.7 | 28.6 | 27.3 | 26.8 | 26.3 | 27.2 | .. |
| % | -3.9 | -6.6 | -4.7 | -1.9 | -1.8 | 3.7 | .. |
| New, \$1986 billions | 14.6 | 13.7 | 12.2 | 11.1 | 11.2 | 11.5 | .. |
| % | -8.4 | -6.2 | -10.5 | -9.3 | 0.7 | 2.9 | .. |
| Alterations, \$1986 billions | 10.1 | 9.9 | 9.6 | 9.4 | 9.2 | 9.3 | .. |
| % | -1.8 | -1.4 | -3.1 | -2.5 | -1.9 | 0.5 | .. |
| Transfer costs, \$1986 billions | 6.0 | 5.0 | 5.4 | 6.3 | 5.9 | 6.5 | .. |
| % | 5.2 | -16.4 | 7.8 | 15.7 | -6.3 | 10.0 | .. |
| Deflator, 1986=100 | 139.8 | 138.8 | 139.2 | 141.1 | 138.7 | 138.4 | .. |
| % | 0.1 | -0.7 | 0.3 | 1.4 | -1.7 | -0.2 | .. |

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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September 10, 1996 / Volume 1 Number 9

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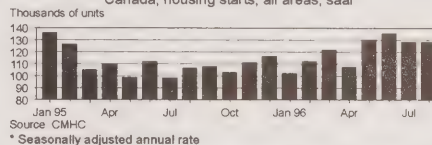
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Housing starts in August match July's pace

Canada, housing starts, all areas, saar*



- The pace of new housing construction remained essentially unchanged in August relative to the previous month. The number of housing starts in August stood at 128,500 units compared with 128,400 in July, seasonally adjusted at an annual rate (SAAR). A decline in urban singles offset an increase in multiples. Higher starts activity in Quebec and Alberta made up for a drop in B.C. construction.
- The August starts figures did not reflect increased demand as a result of lower mortgage rates during the month. One-year mortgage rates dropped from 6.5 per cent to 6.125 per cent while five-year rates declined from 8.5 per cent to 7.95 per cent. The rate reductions are expected to lift the existing homes market first.
- Typically, drops in mortgage rates increase resale volume within a month or two while sustained declines in rates raise home building activity within a quarter or two.
- Recent starts figures and key economic indicators point to higher activity levels over the next few months, but the recovery will remain moderate by historical standards. ■

CMHC contributors: Gilles Proulx, David Dallaire, Michel Laurence, Ali Manoucheri, Eric Dallaire, Gary MacDonald; other: Pip White

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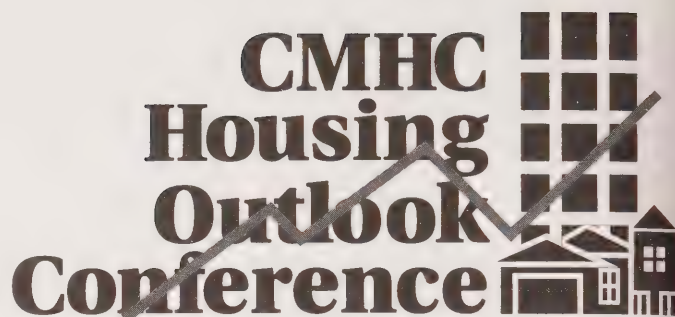
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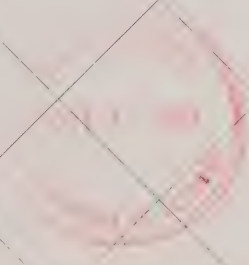
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FOURTH QUARTER, 1996**

Forecast prepared November, 1996

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NATIONAL HOUSING OUTLOOK

Housing activity benefits from mortgage rate slide

The recovery in new construction under way since the second half of 1995 continued during the third quarter of this year. National housing starts rose 3.2 per cent to 128,600 units* from 124,600 units in the second quarter.

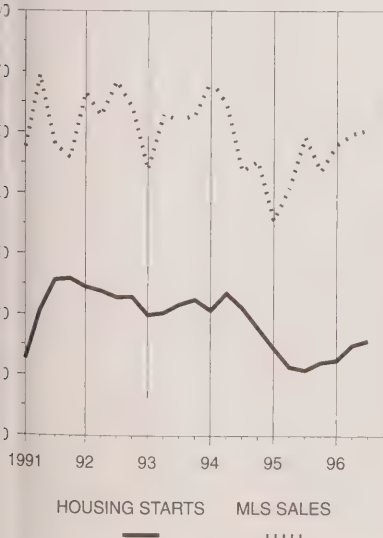
The third quarter construction improvement was concentrated in multiple units, which rose to 49,400 from 45,200 in the second quarter. Construction of single detached units was mostly unchanged at 79,200 units, compared to 79,400 during the previous quarter. Higher activity took place in British Columbia, Ontario and the Prairie provinces during the third quarter.

All housing figures in this section reflect the seasonally adjusted annual rate (SAAR).

Housing markets on the way up

*Housing Starts and Residential MLS**
— Canada

(thousands of units, SAAR)



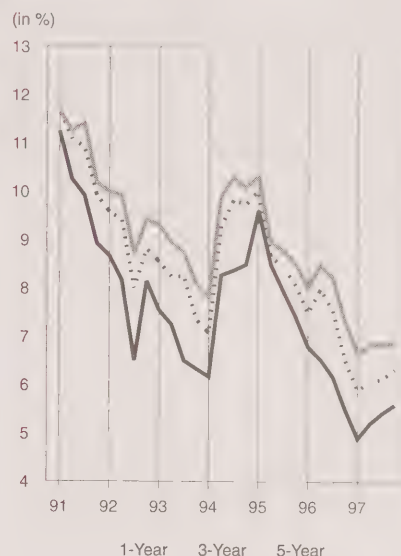
SOURCE: CMHC; Canadian Real Estate Association. Multiple Listing Service (MLS) is a registered trademark owned by the Canadian Real Estate Association.

The national average of new house prices stabilized in the third quarter relative to the second quarter, following three years of steady decline. In fact, almost half of the 20 larger metropolitan areas showed higher prices. This points to a more balanced market, in which demand has risen moderately and supply has fallen. Inventories of newly completed and unoccupied units in particular have dropped significantly since the beginning of the year. By September, the inventory of new units stood at its lowest level since 1988.

While the new housing market gained momentum, the resale market maintained its strong pace during the third quarter with estimated sales at 302,300, only slightly higher than the second quarter level of 298,700. In general, gains in Ontario and British Columbia offset losses in Alberta and Nova Scotia. The national average existing home price moved up slightly, almost 3.2 per cent from the second to the third quarter. Most of this increase, however, reflected the higher share of resales in the more expensive provincial housing markets. Prices rose in the Atlantic and central provinces, but declined in the Prairies and B.C.

Mortgage rates, which have steadily declined this year, continue to be a major factor. In early November, the one-year rate fell to 5.2 per cent while the five-year rate was cut to 6.95 per cent, at their lowest levels in more than 30 years. The lower rates have driven up resales but the effect seems to be limited by other factors, such as uneven job creation. Rate reductions have also helped home building, but less so and only more recently. Gains in construction have remained moderate as demand has been met in part by the inventory of new and unoccupied units, and a shift to ownership from rental.

Mortgage rates will remain favourable



SOURCE: Bank of Canada; 1996-97 CMHC forecast

Economic Outlook

Economy is set to accelerate its pace

Canadian economic growth is forecast to show stronger numbers starting at the end of this year and into 1997. On average, that should mean Canadian real growth around 1.4 per cent this year and above 2.5 per cent in 1997. Employment is expected to follow suit with increases of 1.3 per cent this year and more than 2.0 per cent in 1997.

Despite a stronger Canadian dollar, exports will be the main engine of growth on the strength of U.S. demand. Additional stimulus will come from a better performance in other developed countries.

Consumer spending will remain the main drag on the economy, especially this year. Consumer confidence will stay weak and spending will be hampered by slow job creation and slow growth in disposable incomes, mainly because wage gains will be

limited. Personal expenditures are expected to play a larger role in 1997 as real disposable income rises by 2 per cent, in line with an improved job market.

Fiscal policy is expected to remain focused on restoring fiscal balance. This, combined with low inflation and a strong dollar, will give the Bank of Canada more manoeuvring room for setting domestic interest rates. These are still expected to rise somewhat in early 1997 as the U.S. Federal Reserve raises U.S. rates.

The one-year mortgage rate is expected to stand around 5.00 per cent by year end and to reach 5.50-6.00 per cent by the end of 1997. The three-year rate is forecast to be around 6.00 per cent by year-end and to rise to the 6.25-6.75 per cent range by the last quarter of 1997. The five-year rate, around 6.75 per cent by year-end, is forecast to remain in the 6.75-7.00 range in 1997. Canadian mortgage rates, however, may rise if U.S. rates move significantly higher. Overall, the mortgage interest rate environment will support further momentum in housing activity.

Housing Outlook

Improving market balance, underlying demand recovering

Housing starts are expected to recover to 123,400 units this year and to post an additional advance to 134,600 in 1997. While the 1996 recovery can be traced mainly to the single-detached market, the 1997 advance will also reflect a rebound in multiple unit construction. On a regional basis, all provinces will register greater starts activity in 1996, with Saskatchewan, Ontario, New Brunswick and Alberta leading the way. Construction will accelerate further in 1997, except in Newfoundland, Prince Edward Island, Nova Scotia and Saskatchewan.

Single-detached starts are expected to rise to 78,000 units this year before edging up to 84,300 units in 1997. Construction is currently

holding steady but it is expected to gather additional momentum, especially in 1997. The contributing factors in the recovery include positive resale market developments, improving economic conditions, tighter supplies, and low mortgage rates. Population increases also support higher construction levels. The largest percentage increases this year will take place in Ontario, Alberta, New Brunswick and Saskatchewan. Next year, B.C., Manitoba, Quebec and Alberta are expected to record the largest percentage gains.

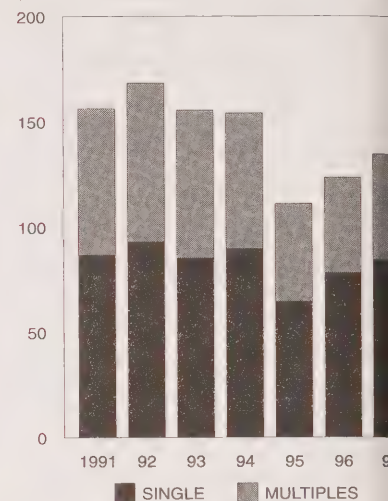
Momentum is building in the multiples market, but not enough to prevent a further year-on-year drop in multiple starts this year. Activity will remain moderate as demand is partly met by the inventory of new and unoccupied units and vacancy rates remain high. In 1997, tighter supply conditions will meet stronger demand for rental accommodations and for first-time buyer products as a result of employment gains. High immigration levels and a rising population of young adults will also begin to add pressure on the rental stock. Total multiple starts are expected to reach 45,400 units this year and increase to 50,300 in 1997. All the largest provincial markets except Ontario are expected to record lower activity before moving higher in 1997. Ontario starts will maintain their 1995 pace this year and accelerate next year.

Developments on the resale market should also lead to more construction. The resale market should post a healthy advance this year, to 302,300 units, up 19.7 per cent from 1995. A further but moderate increase to 308,700 units is expected next year, as higher mortgage rates cap the recovery. These levels of activity represent a full recovery from the 1995 slump and bring sales levels close to the 1992 peak of 311,500 homes. Sales volumes are expected to increase in all provinces in 1996 but to weaken in Newfoundland, Prince Edward Island, Nova Scotia and Ontario in 1997.

Single-detached starts will lift total

Housing starts by type — Canada

(thousands of units)



SOURCE: CMHC.
1996-97 Forecast.

The average MLS price is expected to edge up around 1.0 per cent this year, to \$151,800, and 1.8 per cent next year, to \$154,600. The resale market has seen a steady recovery with reduced listings, and prices are past their trough. This will prompt more prospective buyers to consider the new market, especially since builders have been trying to offer more affordable products. ■

Outlook for the U.S. Housing Market

The effects of the U.S. market on Canadian construction activity should not be taken lightly. When housing starts are strong in the U.S., there are good business opportunities for our construction-related goods and services suppliers. Variation in the U.S. demand for building components and services can also influence the price of these commodities and thus affect construction costs in Canada.

Following this year's excellent performance in housing starts and resales, the best since 1990, the U.S. market will slow down in 1997. An increase in interest rates, expected early in 1997, and the large inventory of new houses will curtail activity except in California, which will continue to be strong. If interest rates remain low, these forecasts could well prove conservative.

A good year in 1996

The U.S. economy was quite solid in 1996. Higher incomes and a stronger job creation rate, together with low interest rates and high consumer confidence, sustained a strong demand on the housing market. The prices of existing houses rose at an increased rate and made investment in real estate more attractive. This brought new buyers and vendors into the market.

Builder Confidence Declining
United States — Housing Market Index



CE: National Association of Home Builders

For this year, 1.459 million housing starts are expected and four million existing units should change hands.

Slowdown forecast in 1997

This rosy context will not continue next year as interest rates hikes will materialize early in the year. Moreover, an important leading indicator, the National Association of Home Builders' (NAHB) housing market index, has been declining for four months. This drop in activity will affect single-family and the multiple homes equally. The number of multiple starts will once again be very volatile, as they have been over the past few years. The only major exception will be the Californian market.

California's expanding economy will attract people who might otherwise have settled elsewhere. The increase in its house buyer pool will make the state a market to watch in 1997. The rebirth of the California market is developing after several years of lethargy both in housing starts and resale activity.

Following a year of sustained growth in the northeast, the volume of housing starts will be limited by high levels of new house inventories and prices which are still very low. Despite this general picture, there will be some market niches, especially for the high priced products.

Housing activities will decline in the south. This year, the Olympic Games in Atlanta and the explosion of pent-up demand on the market have sustained the production of single-family starts. High levels of inventories, interest rate increases and the return to normal demand will limit the number of housing starts.

The midwest, which fared well in 1996, does not have a very solid new house-buyer pool. A stagnating employment situation and the expected increase in interest rates will slow down housing start activity to its average level for the nineties. If the job situation improves and brings out more new buyers, the housing market should improve in 1998.

In summary, there will a slowdown next year in most U.S. regional housing markets except for California. ■

Housing Starts — United States

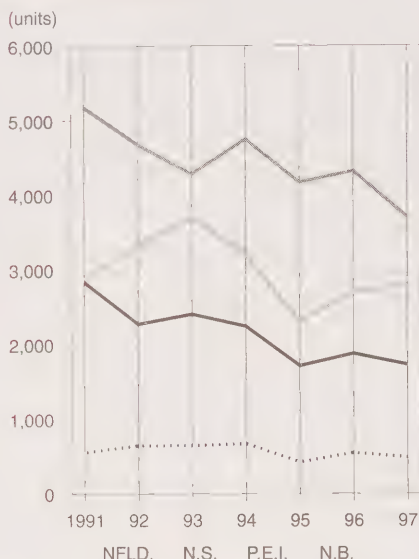
(thousands of units)

| | 1995 | 1996 ^(f) | 1997 ^(f) |
|------------------------|------|---------------------|---------------------|
| TOTAL | 1358 | 1459 | 1352 |
| By Region | | | |
| Northeast | 118 | 128 | 117 |
| Midwest | 290 | 320 | 289 |
| South | 618 | 650 | 607 |
| West | 333 | 361 | 339 |
| By Type of Unit | | | |
| Detached | 1078 | 1156 | 1071 |
| Multiples | 280 | 303 | 282 |

Sources: NAHB. CMHC forecast

PROVINCIAL HOUSING OUTLOOKS

Housing Starts Atlantic Region



SOURCE: CMHC.
1996-97 Forecast.

NEWFOUNDLAND

Housing demand lower in 1997

The accelerated pace of new home construction seen early in the year slowed as expected during the summer, as housing demand was reduced by job losses and high levels of out-migration. This was particularly true in urban centres, where third quarter housing starts fell by nearly 20 per cent from the level a year ago. Activity in rural areas remained weak, but there was a significant increase in home building in Goose Bay, largely on the strength of spinoffs associated with mineral exploration and the huge Voisey's Bay nickel deposit in Labrador.

An increase in single-detached units more than offset declines in multiple unit construction, with provincial housing starts up 7.1 per cent to the end of September. Substantial interest rate relief and construction on a number of multiple unit projects in urban centres will strengthen home

building activity in the fourth quarter and lead to a 9.5 per cent increase in starts this year.

Following a stellar performance earlier in the year, the resale market showed signs of slowing down during the summer months. Buoyed by an increase in the number of new homes sold, provincial MLS sales were up 18.8 per cent to the end of September. With record level affordability this year, the resale market is expected to post its strongest showing since 1990. Average house prices will increase significantly this year, almost entirely as a result of more move-up activity and substantially higher sales of new homes.

Lower employment, reduced incomes and high levels of out-migration will temper the positive effects of low mortgage rates on the housing market next year. New home construction will also be limited by a large supply of existing homes. Housing starts are forecast to decline by 8.0 per cent next year. The end of Hibernia's construction phase and the likelihood of additional public sector downsizing will contribute to a marginal decline in MLS sales in 1997.

Less megaproject spending results in fewer starts

PRINCE EDWARD ISLAND

Bridge construction helps housing

The final full year of bridge construction has led to record high employment, income, and retail sales on the Island. Benefits to the housing sector are clear. Forecasts for new construction and existing home sales for 1996 point to increases of 25 per cent over

last year. The average resale price will also reach an all time high of \$84,000, thanks to a greater share of urban sales.

Unfortunately, the tide is about to change. Completion of bridge construction will bring an end to the current ferry service. In addition, the 1996 potato crop is facing a major price drop. Reduced revenues in 1997 as a result of these factors will restrain continued growth in the housing industry. Sales and new home building will experience a slight dip next year, to levels between those of 1994 and 1995. Excellent borrowing conditions and attractive prices will help maintain a relatively stable housing market.

NOVA SCOTIA

Financial incentives stimulate late 1996 sales

Buying a home has become easier in Nova Scotia this summer and fall as falling interest rates and financial incentives have led a relatively high number of prospective home buyers into the market. Sales have been stimulated by home buyers who are eager to use the PST rebate of up to \$3000 as a down payment for new housing before the program ends in April. Consumer confidence remains shaky, however, with the prospect of layoffs at Maritime Tel. & Tel. and in government.

New and existing home sales will remain strong this year but will weaken somewhat in 1997, as many buyers who under normal circumstances would have waited until next year have already made their move. Home buying activity has been confined to the lower price ranges, which appeal to first-time buyers and move-down buyers. This situation will continue for the next year. Little rental construction is expected before the end of 1997, largely because high vacancy rates and cautious lenders are putting builders' plans on the back burner.

NEW BRUNSWICK

Markets to benefit from low mortgage rates

All indications point to a banner year for realtors. After strong sales through spring, buyers moved more cautiously during the third quarter in an effort to take advantage of tumbling mortgage rates. Supply began rebuilding during the summer months after falling under the pressure of growing sales. Improved affordability has once again motivated move-up buyers to begin testing the market. If supply remains high, as forecast, vendors will have little choice but to hold prices close to last year's levels. The combination of year-old prices and low financing rates will boost final quarter sales and bring the year-end total to a record 3,900. These strong market conditions will hold into the new year, as sales rise to the 4,000 mark.

Builders have also been busy. After a dismal year in 1995, new construction rose by 17 per cent by the end of the third quarter. Ongoing mortgage rate improvements will keep the momentum going well into the winter months. This will set the stage for a 24 per cent increase in single starts this year and a 4.0 per cent improvement in 1997. Wary of rising vacancy rates, however, developers have been hesitant to build more rental apartments.

Multiple unit starts, holding at last year's level, will dip to 550 next year.

QUEBEC

Slight recovery for residential construction in 1996 and a better outlook for 1997

Residential construction was not as buoyant during the third quarter as in the preceding quarter, and a slow-down seems in the offing. The seasonally adjusted annual rate of housing starts reached 21,900 units. While this number was 8.0 per cent lower than the level estimated for the second quarter, it was nevertheless 8.0 per cent higher than in the third quarter of

1995. For the first nine months, the level is still slightly ahead (by 3. per cent) of last year's figure.

In the third quarter of 1996, the only busy builders were constructing single-detached homes; they had 11 per cent more starts than in the same quarter last year. Starts declined by 5.0 per cent in multiple housing projects, a sector that is still handicapped by a surplus of existing rental units. As well, certain condominium projects were postponed when developers were unable to presell units.

Residential construction was more vigorous in urban centres than in smaller municipalities. The number of housing starts rose by 8.0 per cent in urban centres and by only 7.0 per cent in smaller municipalities. By contrast, in the second quarter, smaller municipalities posted a 27 per cent gain, as first-time buyers returned to the market in large numbers. The demand from move-up buyers, which comes later in the year (mainly after these people sell their homes), is still quite marginal.

Unoccupied inventory is very low in Ontario

The level of activity in residential construction points to a slight recovery in 1996. The 22,800 housing starts expected, a rise of 4.0 per cent, will mark a turning point in the cycle. When interest rates are very low, home ownership is more accessible and the return on real estate investments improves. A more robust recovery is forecast for 1997, with 26,000 new units, notably as a result of a 20 per cent increase in rental and condominium housing starts. The rental vacancy rate, which has been declining for five years, will drop below 6.0 per cent in October 1996 and to 5.5 per cent a year later. The inventory of unoccupied new rental units has all but disappeared, with fewer than 200 units for rent at the end of 1996, compared to 1,000 units four years ago.

Housing Starts Quebec and Ontario



SOURCE: CMHC.
1996-97 Forecast.

Single-detached housing, with demand largely initiated by first-time buyers, will rise by 8.0 per cent. The resale market will have a good year in 1996, as the number of homes sold through the MLS will jump by 14 per cent. A fair number of home owners have managed to close sales, but those who buy houses afterward will tend to look for more modest products. As a result, the average prices for both new and resale homes will hover around \$100,000 in 1997. Prices will increase only slightly, as the construction industry continues to work below capacity and the supply of existing homes remains abundant.

ONTARIO

Home construction on the mend

Low interest rates and seven years of home price declines have improved the demand for both resale and new homes. First-time buyers, always sensitive to mortgage interest rates, continue to dominate resale markets. Home resales for the first eight months of the year are 25.8 per cent higher than during the same period last year.

Third quarter home starts surged 6.2 per cent to their highest level in two years, to a 44,300 seasonally adjusted annual rate, thanks to increases in both single-detached and multiple home starts. Increased condominium construction, propelled by first-time and move-down buyers, carried multiple home starts higher despite a drop in rental starts.

Unemployment has been higher in Ontario than in Western Canada, and this will continue to discourage migration from other parts of Canada. High numbers of immigrants drawn to the province's established social and ethnic networks will play only a modest housing demand role, at least initially. Growth in jobs and consumer confidence will move housing demand higher.

On the supply side, inventories of completed and unoccupied row and apartment units are very low. There is no longer even the modest backlog of single and semi-detached homes seen last year. Demand increases will be met with new construction.

Despite falling inventories and a pick-up in demand, price weakness continues in most metropolitan markets, especially in the single family market. There are three key reasons why home prices in many centres remained stable or fell and why only modest price increases are predicted. First, although lifted by recent job growth, consumer confidence remains fragile as real wage gains have been modest. Second, it is mainly first-time buyers who will respond to the low mortgage rates predicted for the remainder of this year and next, and first-time buyers are very price sensitive. Third, move-down buying is currently as common as move-up buying.

Modestly priced single and freehold townhouse units will lead the new home construction recovery. Housing starts are predicted to end the year up 19 per cent at 42,700, and to increase to 46,500 in 1997. Multiple home starts in 1996 and 1997 will be tempered by higher vacancy rates in rental projects.

MANITOBA

Weak job creation holds back housing market recovery

Manitoba's housing markets have improved in 1996, with both resales and new construction gaining ground over 1995 levels. However, the recovery has been undermined by chronic consumer unease over job security. With labour force growth outpacing job creation, unemployment levels have not improved this year and little relief is expected in 1997. Despite the weak job prospects, moderate economic growth will continue to support better new housing numbers next year.

Saskatchewan boom to wane next year

After nine months, total new housing activity exceeded 1995 production by 3.9 per cent to 1,563 units. Single-detached starts remain ahead of 1995 levels, although activity in Winnipeg still lagged behind last year's pace to the end of September. Inventories of new homes are down across Winnipeg, leaving builders in a stronger position going into 1997. Multiples were at 1995 levels across Manitoba to the end of September but are expected to end the year up by 50 units. Resales continue to surpass 1995 levels in all four cities, with prices up by a healthy margin due to improved trade-up activity.

Declining stocks of unsold new homes, affordable mortgage rates and continued strength in the resale market all point to improved housing starts in the fourth quarter and into 1997. In rural areas, as well as in Brandon and Portage la Prairie, demand for new homes will be propelled by a surging agricultural sector. Winnipeg singles will also improve, although total numbers will remain under 1,000 units. Multiples will reach 500 units province-wide in 1997, with production centred on

bungalow-style condominiums and life-lease apartments marketed to seniors and empty-nesters.

Resale markets will again enjoy brisk sales in 1997. Although higher move-up sales have boosted average resale prices this year, the supply of affordable units is still adequate. However, a combination of slightly higher mortgage rates and increased starter-home prices will reduce affordability early next year, causing resale volumes to level off. Rental market conditions in Winnipeg will continue to tighten into 1997 although the overall vacancy rate will remain near 5.0 per cent.

SASKATCHEWAN

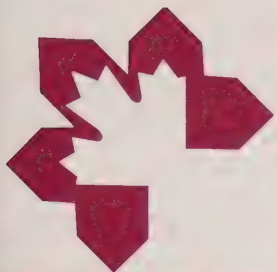
Housing markets continue to grow

Saskatchewan's housing markets are performing far better than the provincial economy, thanks in large part to the expansion of the Saskatoon and Regina markets. The bulk of new house construction in the province has come in Saskatoon, where an extended boom in residential construction has resulted in an upward revision of our provincial forecast. A strong local economy and a healthy resale market have combined with

**Housing Starts
Manitoba and Saskatchewan**



SOURCE: CMHC.
1996-97 Forecast.



RENOVATION MARKET OUTLOOK

CMHC Market Analysis Centre

1996-1997

Highlights

Stimulated by a more active resale market, higher new construction and improving economic conditions, renovation spending recovered in 1996.

Momentum should build up further in 1997 with a forecast 5.6 per cent increase in renovation spending to \$19.9 billion.

On average, buyers of existing homes spend over 50 per cent more than buyers of new homes and other owners.

The Alberta and Ontario markets look most promising.

The coming year looks promising for the home renovation industry and its suppliers. There will be many opportunities for expansion in 1997, following the recovery experienced in 1996.

Housing markets cause rebound in renovation activity

In 1996, the home renovation market is profiting from the solid recovery experienced by the resale market across the country. The number of homes sold through the MLS* system

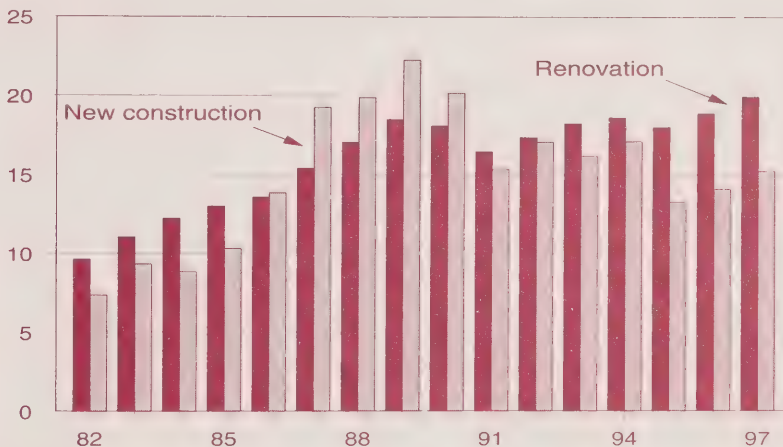
jumped nearly 20 per cent in 1996 to slightly more than 300,000 units. Many new owners undertake repairs and

maintenance even before they move in, and others find ways to substantially alter and improve their homes.

Improvement projects are also getting a boost from the new construction market, where housing starts have rebounded by around 11 per cent in 1996, following the very low construction level of 1995, a 35-year low. Even with this gain, however, new construction is still at very low levels, which limits improvements normally tied to new housing, including indoor projects such as basement finishing and outdoor ones such as landscaping and driveway paving.

Renovation ahead of New Construction

(\$ billions)



Sources: Statistics Canada, 1996-97 CMHC forecast.

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Major Renovation Indicators, 1993-97

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|--------------------------------|------|------|-------|------|------|
| Renovations (\$ billions) | 18.2 | 18.6 | 18.0 | 18.9 | 19.9 |
| (% change) | -5.0 | 2.1 | -3.3 | 4.8 | 5.6 |
| New construction (\$billions) | 16.2 | 17.1 | 13.3 | 14.1 | 15.2 |
| (% change) | -5.2 | 5.9 | -22.6 | 6.1 | 8.1 |
| Related Indicators (% changes) | | | | | |
| Employment | 1.3 | 2.1 | 1.6 | 1.3 | 2.2 |
| Personal Disposable Income | 2.2 | 1.4 | 2.6 | 2.0 | 3.6 |
| Housing Starts | -7.6 | -0.9 | -28.0 | 11.2 | 9.1 |
| MLS unit Residential Sales | -7.4 | 0.0 | -12.5 | 19.7 | 2.1 |
| Housing stock | 1.5 | 1.4 | 1.0 | 1.0 | 1.2 |
| New House Price Index | 1.2 | 0.1 | -1.2 | -1.8 | 1.2 |
| MLS Average Price | 2.2 | 3.5 | -5.0 | 1.0 | 1.8 |
| Renovation Prices | 3.2 | 3.0 | 2.6 | 1.1 | 1.6 |
| 5-year Mortgage Rate (%) | 8.8 | 9.5 | 9.2 | 8.0 | 6.8 |

Sources: Historical: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association

1996-97 Forecast: CMHC

Further advance in 1997

Following the 1996 recovery, the home renovation market is expected to enter an unprecedented phase of expansion. Positive trends in housing markets, along with low mortgage rates that make projects more affordable, should lead owners to borrow and get on with planned renovation projects. Total renovation spending is expected to reach \$19.9 billion in 1997, up 5.6 per cent from 1996.

This expansion will remain moderate because construction of new units is still relatively low. As well, there are limits to consumer spending because incomes are not yet rising and job prospects remain uncertain. Furthermore, stability in home prices will make owners focus on the most essential projects or those with the highest expected payback.

The bottom table on this page contrasts the spending patterns of those who recently moved to new or existing homes with the patterns of home owners who have not moved recently.

Movers to existing homes spend an average of \$2,734 annually, nearly \$1,000 more than people who move in new homes and non-movers. Most of the added spending is for contract work. They spend most for repair and maintenance, for equipment replacement, and for indoor and outdoor renovations, such as

Renovation Spending by Moving Status

| | Estimated Number of Homeowners (thousands) | Average Spending (\$) | | |
|---------------------------|---|-----------------------|----------|-----------|
| | | Total | Contract | Materials |
| All homeowners | 7,091 | 1,849 | 1,143 | 706 |
| Moved to a new home | 297 | 1,702 | 840 | 862 |
| Moved to an existing home | 752 | 2,734 | 1,657 | 1,077 |
| Did not move | 6,042 | 1,746 | 1,094 | 652 |

Sources: CMHC, Statistics Canada

Note: Movers refers to households who moved over 1993 or 1994. New homes refers to homes built since 1991. Spending is for 1994.

kitchen and bathroom remodeling and window and door replacement.

By contrast, owners of new homes spend relatively more on additions (patios, driveways, fences and landscaping) and new installations (carpeting, built-in appliances, plumbing and electrical fixtures).

Renovation maintains lead over new construction

The revived new construction market is expected to increase spending on new construction by 6.1 per cent in 1996 and 8.1 per cent in 1997 — to a level of \$15.2 billion next year. This is lower than the recent peak of 1994 and about only three quarters of the level of spending on renovation.

With an aging housing stock in Canada, renovation spending trends are expected to continue to outpace new construction over the longer term. These trends are discussed in CMHC's forthcoming report *The Long-Term Housing Outlook: Household Growth for Canada and the Provinces, 1991-2016*.

REGIONAL PROFILES

Renovation market trends will vary across the country as they did in 1996. Two provinces — Ontario and Alberta — are expected to show strong performances in both years. The economy in each province is recording good progress, with Alberta especially strong.

In Ontario, home renovation spending is forecast to increase by 7 per cent this year and 8 per cent next year, to reach \$8.2 billion in 1997.

In Alberta, total spending is expected to reach \$1.8 billion next year, with increases of nearly 10 per cent this year and 8 per cent in 1997.

Both provinces are enjoying a sharp rebound in existing home sales. MLS sales are up nearly 25 per cent in each province, to a record high in

Ontario. This sales recovery is sustaining higher spending on renovation.

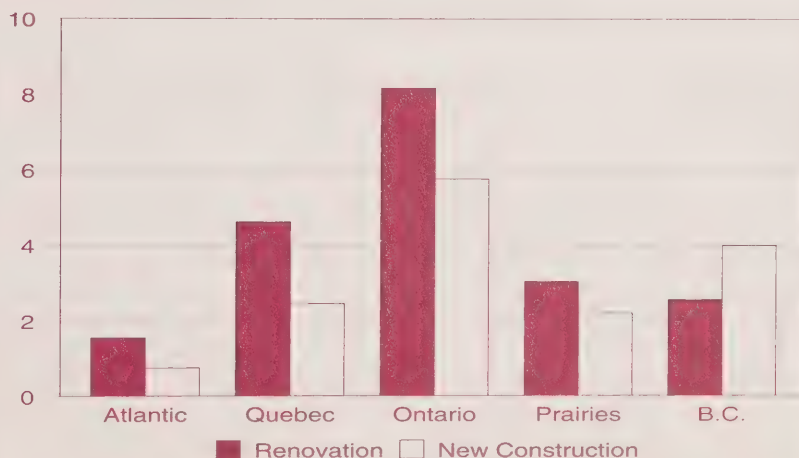
Housing starts are also expected to increase vigorously in both provinces. In Ontario, they are expected to increase by 19 per cent this year and 9 per cent next year. In Alberta, the expected gain is 15 per cent each year.

The two other large provincial markets, Quebec and British Columbia, will post moderate growth. In Quebec, the recovery in both new construction and resale activity has been moderate, and economic conditions remain disappointing. Total spending is expected to increase by 3.6 per cent this year and by close to 5 per cent in 1997. The summer floods in the Saguenay region will result in higher renovation spending.

In British Columbia, the home improvement market will be generally steady, with soft price conditions making

Renovation and new construction spending by region, 1997

(\$ billions)



Source: CMHC forecast.

Regional Profile for Construction Spending

| | | Renovations | | | New Construction | | |
|------------------|---------------|-------------|-------|-------|------------------|-------|-------|
| | | 1995 | 1996 | 1997 | 1995 | 1996 | 1997 |
| Atlantic | (Millions \$) | 1415 | 1524 | 1550 | 736 | 790 | 746 |
| | (% Change) | -5.3 | 7.8 | 1.7 | -15.6 | 7.3 | -5.6 |
| Newfoundland | (Millions \$) | 361 | 406 | 403 | 142 | 151 | 144 |
| | (% Change) | -11.4 | 12.6 | -0.9 | -18.9 | 6.2 | -4.9 |
| P.E.I. | (Millions \$) | 94 | 80 | 86 | 37 | 41 | 38 |
| | (% Change) | 14.6 | -14.8 | 7.2 | -27.7 | 10.9 | -6.0 |
| Nova Scotia | (Millions \$) | 586 | 615 | 641 | 373 | 388 | 349 |
| | (% Change) | 0.6 | 4.9 | 4.3 | -2.1 | 4.1 | -10.0 |
| New Brunswick | (Millions \$) | 373 | 423 | 420 | 184 | 209 | 214 |
| | (% Change) | -11.4 | 13.3 | -0.7 | -30.5 | 14.0 | 2.3 |
| Quebec | (Millions \$) | 4251 | 4406 | 4621 | 2175 | 2243 | 2449 |
| | (% Change) | -8.1 | 3.6 | 4.9 | -33.2 | 3.1 | 9.2 |
| Ontario | (Millions \$) | 7082 | 7568 | 8166 | 4513 | 5186 | 5751 |
| | (% Change) | -3.7 | 6.9 | 7.9 | -22.6 | 14.9 | 10.9 |
| Prairies | (Millions \$) | 2710 | 2839 | 3030 | 1853 | 2025 | 2194 |
| | (% Change) | 2.7 | 4.8 | 6.7 | -19.1 | 9.3 | 8.3 |
| Manitoba | (Millions \$) | 604 | 584 | 625 | 216 | 230 | 252 |
| | (% Change) | 09.5 | -3.4 | 7.0 | -29.1 | 6.3 | 9.5 |
| Saskatchewan | (Millions \$) | 584 | 587 | 603 | 171 | 203 | 196 |
| | (% Change) | 9.1 | 0.6 | 2.8 | -0.2 | 18.4 | -3.2 |
| Alberta | (Millions \$) | 1522 | 1668 | 1802 | 1465 | 1593 | 1745 |
| | (% Change) | 6.0 | 9.6 | 8.0 | -19.2 | 8.7 | 9.6 |
| British Columbia | (Millions \$) | 2534 | 2516 | 2546 | 3898 | 3750 | 3986 |
| | (% Change) | 2.0 | -0.7 | 1.2 | -18.1 | -3.8 | 6.3 |
| Canada | (Millions \$) | 17991 | 18853 | 19912 | 13176 | 13994 | 15126 |
| | (% Change) | -3.3 | 4.8 | 5.6 | -22.5 | 6.2 | 8.1 |

Sources: Historical 1995; Statistics Canada
Forecast 1996-97: CMHC

homeowners more cautious. As well, high prices and carrying costs limit the funds available to home owners for renovations.

In Manitoba and Saskatchewan, renovation spending levels were as disappointing as the limited rebound in the resale market. For 1997, spending is expected to be up by 7 per cent in Manitoba and around 3 per cent in Saskatchewan.

In the Atlantic region, Newfoundland and New Brunswick are expected to show a similar growth pattern over the forecast period, increasing by nearly 13 per cent this year and leveling off next year. Both provinces are seeing a good recovery in existing home sales, but economic conditions and housing markets are expected to be softer next year, especially in Newfoundland.

Steady spending growth of 4 to 5 per cent is expected in Nova Scotia. Housing is recording advances this year following only marginal declines in 1995.

Renovation spending increased last year in P.E.I., but the early 1996 results will lead to a spending reduction of nearly 15 per cent this year, with a partial recovery in 1997. ♦

For more information about this forecast, call Gilles Proulx at Canada Mortgage and Housing Corporation, Market Analysis Centre.

Tel: (613) 748-2574

CMHC offers a wide range of housing-related information. For details, contact your local CMHC office.



soaring builder confidence to keep Saskatoon at the forefront of provincial home building activity. Builders in the Regina market are experiencing their first upswing in activity in four years. Underlying the modest improvement in the market are an improved local economy and growing consumer confidence. As consumer optimism has grown in recent months, home building in rural Saskatchewan has already surpassed the total seen for all of 1995.

Activity on the resale market continues to be healthy and will surpass the 8,000 mark this year. The growth of sales volume in almost all local real estate boards in the province will result in modest price gains for the year.

Housing starts will fall in 1997, as the construction boom in Saskatoon begins to wane and rural construction slips with a weakening of consumer confidence. Resales will also retreat, yet will remain well above the five-year average.

ALBERTA

Economy poised to push up housing demand

Alberta's economy is headed for the highest economic growth in the country in 1997, with further potential

down the road. The major force behind the expansion remains the solid performance of exports of good and services. Much of the growth continues to come from the oil and gas sector, with record drilling, higher prices, and major announcements in heavy oil projects already at almost six billion dollars so far this year. Renewed investment and construction of major projects are all pumping up employment and migration forecasts for 1997 and beyond. As well, the provincial government is getting its financial house in order and has announced some relief for the health sector for late November, signalling the end to provincial cuts.

Alberta leads the way in 1997

This year's expanding economy is reflected in Alberta's housing market. Third quarter starts of single-family homes were up a solid 30 per cent over last year. In fact, at the end of the quarter, the province had moved to within 110 single-family housing starts of British Columbia. Although the construction of multiple-family units was slow and inventory problems have persisted, total residential starts were up 18 per cent in the first nine months of the year.

Looking ahead to next year, we expect the highest increase in construction of all the provinces, with housing starts reaching 18,500 units. Multiple construction is expected to rebound. The tight rental market will set the stage for modest advances in apartment starts next year while demand for semi-detached units will continue to be strong. The resale market is poised to reach its best year ever, totalling 39,000 sales. Potential exists for significant price increases next year as a result of strong demand and lower inventories in many centres.

BRITISH COLUMBIA

Moderate gains for 1997 housing market

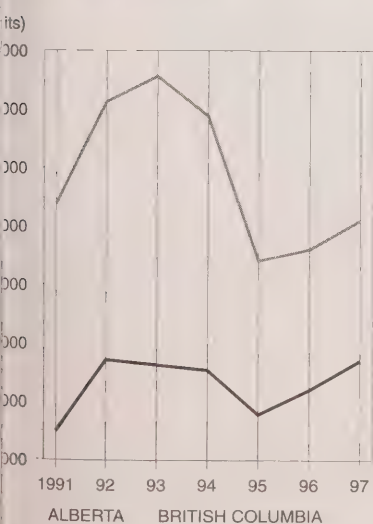
Housing sales and construction are expected to post only moderate gains next year despite very low mortgage rates and greatly improved affordability. Some factors, such as declining migration and modest employment gains, will limit the growth of housing demand. Levels of newly completed unsold inventory will come down further and allow for some increase in construction.

Housing prices remain soft in a very competitive market, with a record level of housing units for sale. This gradual price erosion, which has lasted over two years, is expected to end around mid 1997. A strong rebound in housing starts next year is unlikely until prices stabilize.

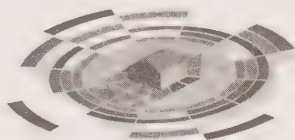
Unique circumstances allowed highrise condominium construction to surge ahead during the spring and summer. Two large downtown Vancouver waterfront sites commenced development and a couple of hotel-related projects, also in downtown Vancouver, spurred investor activity. Sales of apartment condominiums are up moderately, but prices are declining. Highrises are the part of this sector to show more starts this year than last. Permits, a precursor of starts in the near term, indicate that this construction surge is about to end.

Sales activity is expected to continue rising at a below-average pace. While mortgage rates are very low, interprovincial migration is falling and the economy is generating slow job growth. Further, expectations of lower housing prices may be keeping many potential buyers on the sidelines until prices begin to rise. Another factor could be the several years of record sales volumes aided by First Home Loan Insurance and the Home Buyers' Plan, beginning in early 1992. These may have reduced current pent-up demand by encouraging buyers to move earlier than they might have otherwise. ■

**Housing Starts
Alberta and British Columbia**



SOURCE: CMHC.
1997 Forecast.



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Housing Starts

Total
(units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 2836 | 2271 | 2405 | 2243 | 1712 | 1875 | 1725 |
| % | -12.6 | -19.9 | 5.9 | -6.7 | -23.7 | 9.5 | -8.0 |
| PEI | 553 | 644 | 645 | 669 | 422 | 545 | 485 |
| % | -27.4 | 16.5 | 0.2 | 3.7 | -36.9 | 29.1 | -11.0 |
| NS | 5173 | 4673 | 4282 | 4748 | 4168 | 4320 | 3700 |
| % | -7.0 | -9.7 | -8.4 | 10.9 | -12.2 | 3.6 | -14.4 |
| NB | 2872 | 3310 | 3693 | 3203 | 2300 | 2700 | 2800 |
| % | 7.0 | 15.3 | 11.6 | -13.3 | -28.2 | 17.4 | 3.7 |
| QUE | 44654 | 38228 | 34015 | 34154 | 21885 | 22810 | 26000 |
| % | -7.1 | -14.4 | -11.0 | 0.4 | -35.9 | 4.2 | 14.0 |
| ONT | 52794 | 55772 | 45140 | 46645 | 35818 | 42700 | 46500 |
| % | -15.7 | 5.6 | -19.1 | 3.3 | -23.2 | 19.2 | 8.9 |
| MAN | 1950 | 2310 | 2425 | 3197 | 1963 | 2110 | 2350 |
| % | -40.9 | 18.5 | 5.0 | 31.8 | -38.6 | 7.5 | 11.4 |
| SASK | 998 | 1869 | 1880 | 2098 | 1702 | 2370 | 2000 |
| % | -29.6 | 87.3 | 0.6 | 11.6 | -18.9 | 39.2 | -15.6 |
| ALTA | 12492 | 18573 | 18151 | 17692 | 13906 | 16000 | 18500 |
| % | -27.5 | 48.7 | -2.3 | -2.5 | -21.4 | 15.1 | 15.6 |
| BC | 31875 | 40621 | 42807 | 39408 | 27057 | 28000 | 30500 |
| % | -13.2 | 27.4 | 5.4 | -7.9 | -31.3 | 3.5 | 8.9 |
| CAN | 156197 | 168271 | 155443 | 154057 | 110933 | *123400 | *134600 |
| % | -14.0 | 7.7 | -7.6 | -0.9 | -28.0 | 11.2 | 9.1 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 2135 | 1611 | 1559 | 1455 | 1165 | 1275 | 1150 |
| % | -13.5 | -24.5 | -3.2 | -6.7 | -19.9 | 9.4 | -9.8 |
| PEI | 376 | 421 | 460 | 454 | 364 | 425 | 415 |
| % | -22.2 | 12.0 | 9.3 | -1.3 | -19.8 | 16.8 | -2.4 |
| NS | 2604 | 3232 | 3126 | 3358 | 3040 | 3420 | 3000 |
| % | -28.4 | 24.1 | -3.3 | 7.4 | -9.5 | 12.5 | -12.3 |
| NB | 2154 | 2391 | 2535 | 2547 | 1722 | 2125 | 2250 |
| % | 0.8 | 11.0 | 6.0 | 0.5 | -32.4 | 23.4 | 5.9 |
| QUE | 22531 | 18564 | 17136 | 18414 | 13428 | 14900 | 16500 |
| % | -9.7 | -17.6 | -7.7 | 7.5 | -27.1 | 11.0 | 10.7 |
| ONT | 26290 | 27868 | 26240 | 30036 | 20124 | 27000 | 29000 |
| % | -18.9 | 6.0 | -5.8 | 14.5 | -33.0 | 34.2 | 7.4 |
| MAN | 1589 | 1683 | 1874 | 2441 | 1564 | 1660 | 1850 |
| % | -44.2 | 5.9 | 11.3 | 30.3 | -35.9 | 6.1 | 11.4 |
| SASK | 775 | 1484 | 1342 | 1542 | 1341 | 1615 | 1520 |
| % | -28.7 | 91.5 | -9.6 | 14.9 | -13.0 | 20.4 | -5.9 |
| ALTA | 9778 | 14125 | 13040 | 12671 | 10096 | 12800 | 14100 |
| % | -29.2 | 44.5 | -7.7 | -2.8 | -20.3 | 26.8 | 10.2 |
| BC | 18335 | 21472 | 17787 | 16591 | 11581 | 12800 | 14500 |
| % | -0.8 | 17.1 | -17.2 | -6.7 | -30.2 | 10.5 | 13.3 |
| CAN | 86567 | 92851 | 85099 | 89509 | 64425 | *78000 | *84300 |
| % | -15.4 | 7.3 | -8.3 | 5.2 | -28.0 | 21.1 | 8.1 |

Multiples (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 701 | 660 | 846 | 788 | 547 | 600 | 575 |
| % | -9.8 | -5.8 | 28.2 | -6.9 | -30.6 | 9.7 | -4.2 |
| PEI | 177 | 223 | 185 | 215 | 58 | 120 | 70 |
| % | -36.6 | 26.0 | -17.0 | 16.2 | -73.0 | 106.9 | -41.7 |
| NS | 2569 | 1441 | 1156 | 1390 | 1128 | 900 | 700 |
| % | 33.7 | -43.9 | -19.8 | 20.2 | -18.8 | -20.2 | -22.2 |
| NB | 718 | 919 | 1158 | 656 | 578 | 575 | 550 |
| % | 31.5 | 28.0 | 26.0 | -43.4 | -11.9 | -0.5 | -4.3 |
| QUE | 22123 | 19664 | 16879 | 15740 | 8457 | 7910 | 9500 |
| % | -4.3 | -11.1 | -14.2 | -6.7 | -46.3 | -6.5 | 20.1 |
| ONT | 26504 | 27904 | 18900 | 16609 | 15694 | 15700 | 17500 |
| % | -12.3 | 5.3 | -32.3 | -12.1 | -5.5 | 0.0 | 11.5 |
| MAN | 361 | 627 | 551 | 756 | 399 | 450 | 500 |
| % | -19.8 | 73.7 | -12.1 | 37.2 | -47.2 | 12.8 | 11.1 |
| SASK | 223 | 385 | 538 | 556 | 361 | 755 | 480 |
| % | -32.4 | 72.6 | 39.7 | 3.3 | -35.1 | 109.1 | -36.4 |
| ALTA | 2714 | 4448 | 5111 | 5021 | 3810 | 3200 | 4400 |
| % | -20.6 | 63.9 | 14.9 | -1.8 | -24.1 | -16.0 | 37.5 |
| BC | 13540 | 19149 | 25020 | 22817 | 15476 | 15200 | 16000 |
| % | -25.8 | 41.4 | 30.7 | -8.8 | -32.2 | -1.8 | 5.3 |
| CAN | 69630 | 75420 | 70344 | 64548 | 46508 | *45400 | *50300 |
| % | -12.2 | 8.3 | -6.7 | -8.2 | -27.9 | -2.4 | 10.8 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1892 | 1829 | 1867 | 1873 | 1655 | 1925 | 1850 |
| % | -5.3 | -3.3 | 2.1 | 0.3 | -11.6 | 16.3 | -3.9 |
| PEI | 764 | 604 | 654 | 599 | 476 | 600 | 550 |
| % | 3.0 | -20.9 | 8.3 | -8.4 | -20.5 | 26.1 | -8.3 |
| NS | 5811 | 6958 | 7180 | 7140 | 7019 | 7800 | 7100 |
| % | -4.3 | 19.7 | 3.2 | -0.6 | -1.7 | 11.1 | -9.0 |
| NB | 3259 | 3550 | 3483 | 3339 | 3496 | 3900 | 4000 |
| % | -1.7 | 8.9 | -1.9 | -4.1 | 4.7 | 11.6 | 2.6 |
| QUE | 28005 | 31946 | 31875 | 33575 | 29824 | 34000 | 34500 |
| % | -0.2 | 14.1 | -0.2 | 5.3 | -11.2 | 14.0 | 1.5 |
| ONT | 105739 | 115260 | 107575 | 116005 | 105789 | 132000 | 129000 |
| % | 19.6 | 9.0 | -6.7 | 7.8 | -8.8 | 24.8 | -2.3 |
| MAN | 9521 | 11383 | 10546 | 10825 | 9749 | 10100 | 10100 |
| % | 1.8 | 19.6 | -7.4 | 2.6 | -9.9 | 3.6 | 0.0 |
| SASK | 6505 | 7829 | 7375 | 7459 | 7349 | 8000 | 7600 |
| % | 1.6 | 20.4 | -5.8 | 1.1 | -1.5 | 8.9 | -5.0 |
| ALTA | 34360 | 38545 | 37024 | 32512 | 29098 | 36000 | 39000 |
| % | 3.9 | 12.2 | -3.9 | -12.2 | -10.5 | 23.7 | 8.3 |
| BC | 84554 | 93564 | 80919 | 75270 | 58082 | 68000 | 75000 |
| % | 45.7 | 10.7 | -13.5 | -7.0 | -22.8 | 17.1 | 10.3 |
| CAN** | 280410 | 311468 | 288498 | 288597 | 252537 | *302300 | *308700 |
| % | 19.1 | 11.1 | -7.4 | 0.0 | -12.5 | 19.7 | 2.1 |

Average Residential Price (dollars and annual per cent change)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 ^(F) | 1997 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 90822 | 92137 | 91243 | 91697 | 89525 | 94000 | 93500 |
| % | 2.4 | 1.4 | -1.0 | 0.5 | -2.4 | 5.0 | -0.5 |
| PEI | 71033 | 75570 | 72422 | 78753 | 73807 | 84000 | 80000 |
| % | 2.5 | 6.4 | -4.2 | 8.7 | -6.3 | 13.8 | -4.8 |
| NS | 86462 | 87685 | 88965 | 91109 | 89788 | 92000 | 93000 |
| % | 2.1 | 1.4 | 1.5 | 2.4 | -1.4 | 2.5 | 1.1 |
| NB | 80897 | 82478 | 84951 | 84149 | 83994 | 84300 | 85000 |
| % | 4.0 | 2.0 | 3.0 | -0.9 | -0.2 | 0.4 | 0.8 |
| QUE | 102795 | 102311 | 102447 | 102242 | 98837 | 99000 | 101000 |
| % | 2.0 | -0.5 | 0.1 | -0.2 | -3.3 | 0.2 | 2.0 |
| ONT | 171088 | 161364 | 156403 | 160033 | 154537 | 155700 | 158000 |
| % | -0.5 | -5.7 | -3.1 | 2.3 | -3.4 | 0.8 | 1.5 |
| MAN | 80445 | 80686 | 81748 | 83761 | 81897 | 85500 | 86000 |
| % | 0.6 | 0.3 | 1.3 | 2.5 | -2.2 | 4.4 | 0.6 |
| SASK | 67697 | 68406 | 70698 | 72738 | 73796 | 75000 | 77000 |
| % | -1.8 | 1.0 | 3.4 | 2.9 | 1.5 | 1.6 | 2.7 |
| ALTA | 111482 | 113558 | 117085 | 117336 | 114772 | 118000 | 122500 |
| % | 2.6 | 1.9 | 3.1 | 0.2 | -2.2 | 2.8 | 3.8 |
| BC | 168235 | 189999 | 211992 | 229514 | 221860 | 220500 | 219000 |
| % | 6.7 | 12.9 | 11.6 | 8.3 | -3.3 | -0.6 | -0.7 |
| CAN** | 147011 | 149590 | 152914 | 158309 | 150352 | *151800 | *154600 |
| % | 5.0 | 1.8 | 2.2 | 3.5 | -5.0 | 1.0 | 1.8 |

SOURCE: The Canadian Real Estate Association.
(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Note: Historical data has been revised and is consistent with the latest CREA figures.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly per cent change)

| | 95:Q1 | 95:Q2 | 95:Q3 | 95:Q4 | 96:Q1 | 96:Q2 | 96:Q3 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 124.4 | 112.6 | 114.4 | 105.9 | 130.9 | 128.9 | 137.5 |
| % | -10.5 | -9.5 | 1.6 | -7.4 | 23.6 | -1.5 | 6.6 |
| Housing starts, total, thousands | 122.3 | 106.8 | 104.2 | 110.3 | 112.1 | 124.6 | 128.6 |
| % | -12.0 | -12.7 | -2.4 | 5.9 | 1.6 | 11.2 | 3.2 |
| Housing starts, singles, thousands | 69.8 | 61.3 | 60.6 | 65.5 | 69.0 | 79.4 | 79.2 |
| % | -9.5 | -12.2 | -1.1 | 8.1 | 5.3 | 15.1 | -0.3 |
| Housing starts, multiples, thousands | 52.5 | 45.5 | 43.6 | 44.8 | 43.1 | 45.2 | 49.4 |
| % | -15.0 | -13.3 | -4.2 | 2.8 | -3.8 | 4.9 | 9.3 |
| Housing completions, total, thousands | 134.5 | 124.4 | 109.3 | 109.7 | 114.1 | 111.6 | 119.8 |
| % | -15.6 | -7.5 | -12.2 | 0.5 | 4.0 | -2.2 | 7.3 |
| New house price index, 1986=100 | 135.8 | 134.8 | 134.1 | 133.3 | 132.8 | 131.5 | 131.3 |
| % | -0.1 | -0.7 | -0.5 | -0.6 | -0.6 | -0.4 | -0.1 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 227.8 | 254.5 | 292.9 | 268.3 | 289.9 | 298.7 | 302.3 |
| % | -17.6 | 11.8 | 15.1 | -8.4 | 8.1 | 3.0 | 1.2 |
| MLS average resale price, \$C thousands | 151.0 | 149.0 | 151.3 | 150.2 | 148.5 | 152.7 | 151.6 |
| % | -4.4 | -1.3 | 1.5 | -0.7 | -1.1 | 2.9 | -0.8 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 332.8 | 334.1 | 336.2 | 339.1 | 343.3 | 348.8 | 351.9 |
| % | 0.8 | 0.4 | 0.6 | 0.9 | 1.2 | 1.6 | 0.9 |
| Mortgage approvals, \$C billions | 46.3 | 52.2 | 65.3 | 54.5 | 67.0 | 66.8 | .. |
| % | -16.3 | 12.6 | 25.0 | -16.5 | 22.9 | -0.2 | .. |
| 1-year mortgage rate, per cent* | 9.63 | 8.50 | 7.96 | 7.42 | 6.75 | 6.50 | 6.25 |
| 5-year mortgage rate, per cent* | 10.34 | 8.96 | 8.80 | 8.53 | 8.03 | 8.50 | 8.13 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 28.6 | 27.3 | 26.8 | 26.3 | 27.6 | 29.4 | .. |
| % | -6.6 | -4.7 | -1.9 | -1.8 | 5.2 | 6.2 | .. |
| New, \$1986 billions | 13.7 | 12.2 | 11.1 | 11.2 | 11.6 | 12.6 | .. |
| % | -6.2 | -10.5 | -9.3 | 0.7 | 3.6 | 9.1 | .. |
| Alterations, \$1986 billions | 9.9 | 9.6 | 9.4 | 9.2 | 9.6 | 10.2 | .. |
| % | -1.4 | -3.1 | -2.5 | -1.9 | 4.2 | 5.9 | .. |
| Transfer costs, \$1986 billions | 5.0 | 5.4 | 6.3 | 5.9 | 6.5 | 6.6 | .. |
| % | -16.4 | 7.8 | 15.7 | -6.3 | 9.8 | 1.6 | .. |
| Deflator, 1986=100 | 138.8 | 139.2 | 141.1 | 138.7 | 138.4 | 139.2 | .. |
| % | -0.7 | 0.3 | 1.4 | -1.7 | -0.2 | 0.6 | .. |

SOURCES: CMHC, Statistics Canada, Bank of Canada and Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.

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FIRST QUARTER, 1997**

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BLE OF CONTENTS

| | |
|------------------------------------|----|
| Executive Summary | 1 |
| National Housing Outlook | 3 |
| Michel Laurence | |
| Louis Trottier | |
| Newfoundland | 6 |
| Mac Woodman | |
| Darrin Keough | |
| Prince Edward Island | 8 |
| Ralph Freeze | |
| Nova Scotia | 10 |
| André Moore | |
| Sally Erskine Doucette | |
| New Brunswick | 13 |
| Bruce Read | |
| Laurie Gosselin | |
| Quebec | 15 |
| Kim-Anh Lam | |
| Ontario | 18 |
| Alex Medow | |
| Manitoba | 21 |
| Richard Goatcher | |
| Saskatchewan | 23 |
| Paul Caton | |
| Todd Selby | |
| Alberta | 25 |
| Laurie Scott | |
| Karla Spilsted | |
| British Columbia | 28 |
| Helmut Pastrick | |
| Tables | 31 |

Executive Summary

So far in this recovery, housing activity has been riding the coattails of lower mortgage rates. Over the next two years, further momentum in housing will come from stronger private sector job creation, as consumer spending finally joins exports in boosting employment levels to new highs. Public sector cutbacks will remain a source of drag as long as finances are steered toward zero-deficit, but consumers are expected to emerge from their current frugal mood.

Low mortgage rates, strong job creation and improving consumer confidence will lift total housing starts by 13.7 per cent to 141,800 units in 1997 and by another 6.3 per cent to 150,700 units in 1998. While general economic conditions will be favourable, certain housing market conditions will dampen the magnitude of gains. Most significant is the house pricing environment. Low house prices and rising costs will keep builder margins tight and discourage more house production. In addition, rental vacancy rates remain stubbornly high and continue to limit new construction of rental properties.

The existing home market is much further along in the recovery cycle. The sales pace, which ballooned to an unsustainable rate in the last few months of 1996, is expected to abate in 1997 as both mortgage rates and existing house prices inch higher. A more consistent sales pace, however, will bring total 1997 MLS* sales volumes above the 333,000 mark, 4.0 per cent higher than 1996 levels. A further advance in volumes is forecast for 1998, as mortgage rates fall back.

With small price increases, low mortgage rates, and stable personal incomes, homes will continue to be very affordable. In 1997, the average price for MLS transactions is forecast to be up in most provinces. Price changes will also be limited in the new home market, with the average up by 2.0 per cent this year and next year.

The market for single-detached homes is expected to grow in 1997 and 1998. With low mortgage costs and much leaner inventories, single-detached starts are forecast to rise 14.2 per cent to 89,100 units this year, with a further advance to 94,200 units in 1998. The multiple-unit market is expected to begin recovering from four years of steady decline. While multiple starts will increase 12.7 per cent in 1997 and another 7.3 per cent in 1998, construction will still remain below the 1994 level. Construction of rental and coop units will again be moderate, barely maintaining the 1996 level.

Newfoundland

The year 1997 will be one of economic adjustment in the province, largely because of the end of the construction phase of the Hibernia project and further public sector streamlining. The outlook for 1998 is much brighter, with Hibernia production and development work on the Voisey's Bay and Terra Nova projects. Other factors likely to influence housing markets are the continuation of low mortgage rates and the introduction of the new harmonized sales tax.

Following a rebound to 2,034 units built in 1996, new construction is forecast to fall to 1,900 units this year and to record higher levels of activity next year. Although single-detached

construction is expected to fall this year, multiple construction will edge up on the continued strength of ownership products for first-time buyers.

Prince Edward Island

Provincial economic activity is expected to dip in 1997 with completion of construction on the bridge linking the province to New Brunswick and the resulting end of ferry service. As well, there will be one more year of provincial spending cutbacks. The job losses that follow and the erosion of consumer confidence will be adverse for housing markets.

Housing construction levels rose to 554 units in 1996 but will suffer a dip to 485 units this year, with a partial recovery expected next year. Housing markets benefiting from attractive mortgage rates in 1996 led to record sales on the existing markets, and improved affordability led to higher sales of more expensive homes.

Nova Scotia

Slow job creation and continued fiscal restraint will cap consumer confidence in the province over the forecast period. Furthermore, housing demand is expected to abate after April 1st, when the end of the provincial sales tax rebate and the introduction of the harmonized sales tax combine to increase new home prices. As well, the pool of first-time buyers has been substantially drawn down in the last few years.

Housing starts are expected to edge up only slightly to 4,100 units this year following a moderate contraction to 4,059 units in 1996. Construction is expected to drop again somewhat next year. New rental construction projects remain at historically low levels and are mainly aimed at the mature renter

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

market. Recently, builders have been selling more new homes through the MLS system, providing improved marketing for homes targeted at first-time buyers.

New Brunswick

The provincial economy is expected to recover from a 1996 forestry downturn; pulp and paper prices are recovering along with mineral prices. The resulting benefit to housing markets will increase the number of buyers in the opening months of the year before the harmonized sales tax comes into effect. As well, record sales on the existing market will limit choice and support the new home market.

Total housing starts are forecast to reach 3,000 this year, up from 2,722 in 1996, with further gains expected for next year. Activity is expected to be especially brisk in rural areas. On the rental market, developers should remain cautious because of continued high vacancy rates.

Quebec

Housing markets are finally recovering in the province. While economic growth remains anaemic and local and provincial budgets are still tightening, housing markets are benefiting from low interest rates, affordable home prices and some improvement in net migration. Signs of improvement are also showing up on the rental market. Vacancy rates are moving lower, fewer new units are unoccupied and rent levels are firming up.

Total housing starts are forecast to reach 26,000 units this year, up from 23,220 in 1996. Additional modest gains are expected for 1998. Rental construction is also expected to increase slightly. Home buying, both on the existing and the new market, remains dominated by first-time buyers.

Ontario

Strong export markets and a competitive manufacturing sector are revving the economic engine of Ontario. For housing markets, this combination of

solid economic growth coupled with low mortgage rates and affordable house prices is boosting housing demand. Sales on the existing market are at a high point for the 1990s. This demand is pushing prices higher even at the lower price segments. As well, some repeat buyer activity begins to be apparent.

Total housing starts are expected to reach 50,500 this year, up from 43,062 in 1996. A further advance is anticipated for next year.

Manitoba

The provincial economy is expected to continue to benefit from strong farm cash receipts and improved export markets for the province's manufactured products, especially farm machinery and transportation equipment. As a result, improved confidence will sustain higher levels of demand for home owner products over the forecast period. In contrast, rising rental vacancies will limit multiple construction mainly to projects targeting the seniors market, which will see moderate gains.

Total housing starts reached 2,318 in 1996 and should increase further to 2,550 this year, mainly on the strength of the single-detached homes market. Further moderate gains are expected for 1998.

Saskatchewan

Activity surged on the new and resale markets in the province in 1996, with a seller's market leading to rising prices. A strong economy, resulting from bumper crops, high grain prices and favourable markets for other natural resources, led to improving job markets and more immigration. These conditions will moderate over the forecast period and lead to lower housing demand.

After surging to 2,438 units in 1996, new home construction is expected to moderate, reaching 2,115 units this year. The reduction will be concentrated in the condominium market, where there are lots of new

units yet to be absorbed. Resale market activity will be close to last year's record and rental markets will remain tight.

Alberta

Alberta is expected to lead the country in economic growth over the next two years. Strong oil prices, new gas pipeline capacity, and significant investment will underpin the province's economic prospects. Expansion in all sectors will keep annual job growth above 3.5 per cent.

Housing markets will follow the rising economy. Starts will reach 20,000 units this year and 22,300 next year. Low interest rates and rising migration will increase demand, first in single-family markets, where supply is already tight, and later in condominium and rental markets.

Major urban centres will lead the rise in home building. Calgary will dominate housing starts, as inventories of resale and new homes are pinched by the strongest demand since the early 1980s. In Edmonton, some inventory remains, but low prices and rising demand will also expand new construction activity.

British Columbia

Only moderate gains in economic growth are likely, but the trend is favourable for housing demand as is the continuing high inflow of immigrants. Gains are going to be more widespread over the next two years, as B.C.'s housing market recovery expands further. Total housing starts are forecast to rise to 31,100 units this year and to 34,200 units next year.

The key demand factors are not all contributing to the same degree. Interest rates are most important, with employment and incomes less so. Even migration is not as strong a contributor to housing demand as it was in the first half of the 1990s. Further, demand has largely been satisfied in the boom years earlier this decade. ■



Canada

by Michel Laurence
and Louis Trottier

Housing markets turned the corner in 1996

Beginning to recover from a three-year slide, homebuilding activity increased in 1996. Total housing starts increased 12 per cent, to 124,713 units. Almost all of the gains were in single-detached construction, which increased 21 per cent. Starts of multiple units rose less than 1.0 per cent.

The improved yet still hesitant pace of new home building reflected general economic activity and conditions in the housing market. The single-detached segment benefited from record high levels of affordability as mortgage

rates reached 30-year lows and new house prices declined to 4.0 per cent below 1993 levels. With disappointing employment levels, multiples stagnated because rental vacancy rates and inventories of newly completed and unoccupied units remained high in some key metropolitan areas.

Low mortgage rates had the greatest effect on the resale market. Record volumes reached in the fourth quarter led to an annual total of 321,200 sales in 1996, a 27.2 per cent increase over 1995 levels. While the ratio of sales to new listings improved markedly over the year, average MLS prices rose only 0.5 per cent higher in 1996 than in 1995 as first-time buyers dominated the market.

Soft prices on the resale market were matched by low prices in the new home market. To compete, builders again compressed their margins, closely monitored their costs for labour and materials, and lowered the price of new homes by 2.3 per cent.

By the end of the year, many indicators of future home building activity turned positive. In general, employment firmed up, home prices stabilized, resale volumes were at record levels, home ownership costs were very attractive, and inventories of newly completed and unoccupied single-detached units were relatively low.

1997-98 Outlook

The economy and housing: shifting into higher gear

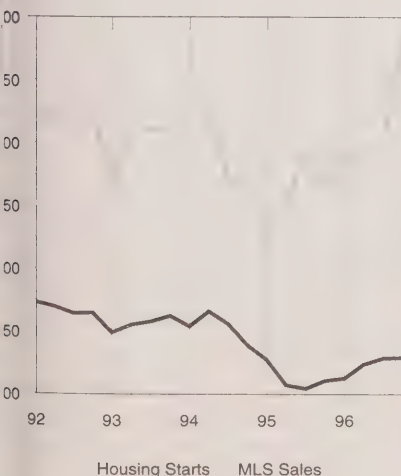
So far in this recovery, housing activity has been riding the coattails of lower mortgage rates. Although rates are expected to edge up in 1997, they will remain low by recent standards. Rate increases expected in the U.S. because of inflation fears will be muted in Canada, where financial conditions are favourable: there are declining public deficits, a strong currency, and weak inflationary pressure. A fall-off in U.S. rates to compensate for reduced economic activity in 1998 will be matched in Canada. Accordingly, one-year mortgage rates, now at 5.2 per cent, are expected to inch up to 5.75-6.00 per cent by year end before declining to 5.50-5.75 per cent in 1998. The five-year rate will be around 7.50-7.75 per cent by year end and will decline to 7.25-7.50 per cent by late 1998.

Further momentum in housing will come from stronger private sector job creation over the next two years. Economic prospects are set to improve, as consumer spending finally joins the export sector in boosting employment levels to new highs. Expected economic growth in the 3.0 per cent range in both 1997 and 1998 will create more than 240,000 new jobs this year and 275,000 next year. Although cutbacks in the public sector will remain a source of drag as long as finances are

Sales reach record high... while starts edge up

Housing starts and residential MLS sales — Canada

(thousands of units, SAAR)



SOURCES: CMHC, Canadian Real Estate Association.

steered toward zero-deficit, consumers are expected to emerge from their current frugal mood as positive economic news become more prevalent during the year.

Population trends also support a high housing starts forecast. Total net migration will be slightly higher than the 1996 estimate, at more than 200,000 persons. This number, along with natural population increases between 130,000 and 150,000, should bring minimum housing requirements close to the forecast construction pace. Estimated housing requirements are in the 141,000 to 176,000 range over the next five years.

in other provinces, tight or tightening builder margins are unlikely to encourage much more house production. Second, rental vacancy rates remain stubbornly high and continue to limit new construction of rental properties. There is also some spillover to other segments of new home building, as high vacancy rates and low rent levels spur conversion of rentals to condominium and home ownership units. Finally, several localized factors, such as the introduction of the harmonized sales tax and the construction finish of megaprojects in the Atlantic provinces, could dampen prospective gains in certain provinces.

The existing homes market is much further along in the recovery cycle than the new home market because it has been more sensitive to mortgage rate changes. The sales pace, which ballooned to an unsustainable rate in the last few months of 1996, is expected to abate in 1997 as both mortgage rates and existing house prices inch higher. A more consistent sales pace, however, will bring total 1997 MLS sales volumes above the 333,000 mark, 4.0 per cent higher than 1996 levels. A further advance in volumes is forecast as mortgage rates fall back in 1998.

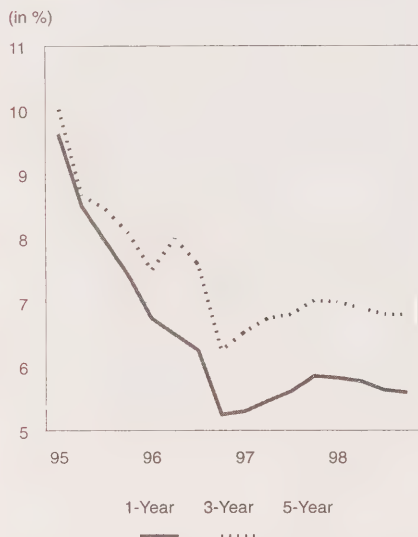
With small price increases, low mortgage rates, and stable personal incomes, homes will continue to be very affordable. In 1997, the average price for MLS transactions is forecast to be up as much as 4.0 per cent in most provinces. In B.C., continuing market correction and a shift in market activity will pull the average price down by 5.0 per cent. Price gains will be more widespread in 1998 with the average price increasing close to 3.0 per cent. Price changes will also be limited in the new home market, with the average up by 2.0 per cent this year and next year.

The market for single-detached homes is expected to grow in 1997 and 1998. With low mortgage costs and much leaner inventories, positive trends already evident in this market should continue. In some urban centres, home buyers should also find the new market more attractive than

resales. This will be the case where stronger demand is reducing choice and raising prices for existing homes. Single-detached starts are forecast to rise 14.2 per cent to 89,100 units this year, with a further advance to 94,200 units in 1998.

First-time buyers are expected to remain important in the single-detached market, but move-up buyers will have a greater presence as resale market prices firm up. Builders, however, should expect many of those experienced buyers to remain very cautious and value-conscious. Equity build-up has been marginal and those moving up are doing so mainly because of need: they work at home or the family is growing up.

Mortgage rates to stay low



SOURCES: Bank of Canada; 1997-98 CMHC forecast.

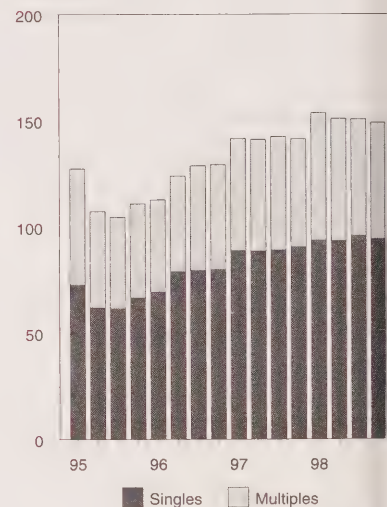
Activity in new housing will catch up with the existing market

Low mortgage rates, strong job creation and improving consumer confidence will lift total housing starts by 13.7 per cent to 141,800 units in 1997 and by another 6.3 per cent to 150,700 units in 1998. While general economic conditions will be favourable, certain housing market conditions will dampen the magnitude of gains. Most significant is the house pricing environment. With B.C. house prices still declining, and meagre price gains

Single-detached market leads recovery

Housing starts by type — Canada

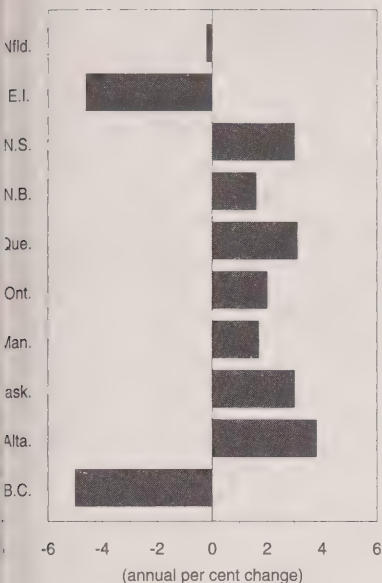
(thousands of units)



SOURCE: CMHC.
1997-98 Forecast.

The multiple-unit market is expected to partly recover from four years of steady decline. While multiple starts will increase 12.7 per cent in 1997 and another 7.3 per cent in 1998, construction will still remain below the 1994 level. Construction of rental and coop units will again be moderate, barely maintaining the 1996 level. High vacancy rates in most local markets will make it difficult for new projects to compete with soft rent levels

**Prices to turn up...
in most provinces**
1997 MLS average price



SOURCE: CMHC.

prevailing on the market. Condominium activity will rise but high inventories in key metropolitan areas will make marketing and financing of new projects difficult.

Stronger prospects in Ontario and Alberta

Ontario and Alberta are forecast to enjoy the most significant gains in new construction this year, mainly on the strength of their economies, higher migration and a market already closer to balance with relatively low inventories. Double-digit percentage increases are expected in the construction of single-detached units in those two provinces this year. Construction will rise in British Columbia although inventories of unoccupied multiple units remain high. In the Quebec market, activity is expected to improve but remain weak due to slow demand. Starts will increase in all other provinces except Newfoundland and Prince Edward Island where megaprojects are winding down and Saskatchewan where inventories of unoccupied condominiums are on the rise. ■

Housing start volume: demographic or economic trigger?

The volume of housing starts is often thought to be dictated by demographic changes. While this element cannot be ignored, it alone cannot explain recent major fluctuations in housing start volumes in Canada.

For the past 20 years, the annual rate of growth for the Canadian population 15 years of age or older (that is, the number of persons joining the buyer pool) has remained relatively stable. Between 1977 and 1996, the number of new people in this group every year did not stray far from the average of 320,000.

Yet, even with this steady demographic trend, the number of housing starts declined over the past five years and is now far less than in the eighties, for example.

Although an increase in housing starts requires positive demographics, this element alone is not sufficient to guarantee an increase. The members of the group must be in a financial position to purchase a house. This usually means having a job that generates a steady and sufficient income.

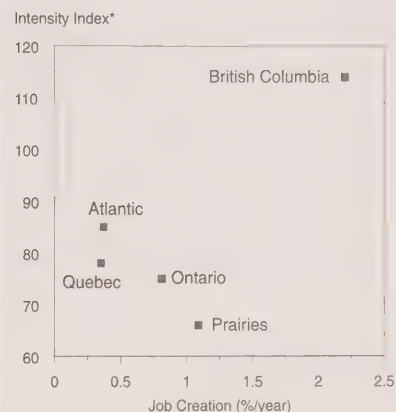
Over the past few years, the labour market has not provided a solid basis for housing starts, except in B.C. In that region, job creation was strong between 1991 and 1996, and the average volume of housing starts was larger than for the last 20 years. In all the other regions in Canada, where job creation was weak, housing starts fell sharply in spite of attractive buyer's markets.

Another factor that affected housing starts in this period was the quality of

jobs created in the nineties. Individual incomes for these jobs were lower than for new jobs at the end of the eighties. As a result, the annual growth in disposable individual income in Canada between 1991 and 1995 amounted to 1.8 per cent, as opposed to 6.0 per cent between 1986 and 1990. Not unexpectedly, this promoted prudence among consumers.

Demographics seem to be a less important factor in determining housing starts than the growth of disposable income and the rate of employment. A growing population remains essential, but people must also have the financial means to act. ■

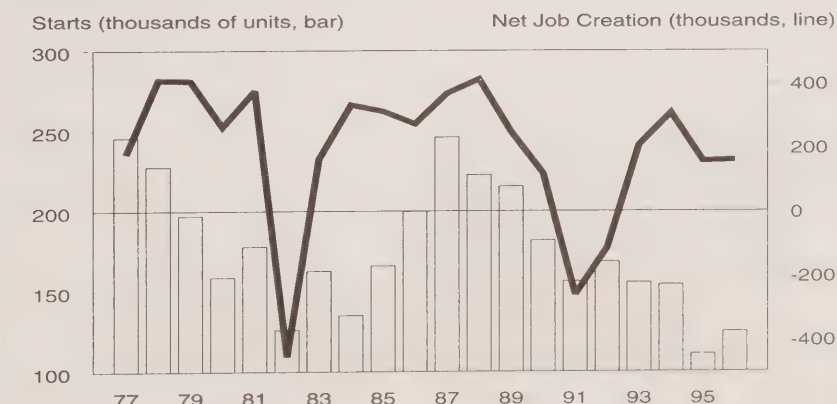
Annual job creation and intensity of new homebuilding index



Sources: CMHC, Statistics Canada

* This index is defined as:
Average housing starts 1991-96
Average housing starts 1977-96 x 100

Housing starts and job creation — Canada



Source: CMHC, Statistics Canada

Newfoundland

by Mac Woodman and Darrin Keough



Highlights

- Modest decline in residential construction this year
- Active resale market
- Robust economic recovery in 1998

New home construction rebounds

Following one of the worst years on record, new home construction rebounded in 1996 as low mortgage rates lured home buyers back to the market. St. John's led the way in urban centres, while Happy Valley-Goose Bay provided an extra boost to rural activity. Falling mortgage rates throughout 1996 led to strong gains in

single-detached starts and reversed a declining trend that began in 1990. Multiple-unit construction also recorded gains last year as semi-detached starts reached their highest level since 1984.

1997-98 Outlook

Strong economic recovery on the horizon

The end of the construction phase of the Hibernia project will mean a period of economic adjustment for the province. The loss of high-paying Hibernia jobs and a significant reduction in investment will result in another year of economic decline. Job losses are also expected in the public sector as it further streamlines its operations. The outlook for 1998 is much brighter. Hibernia production, combined with development work on the Voisey's Bay and Terra Nova projects, will lead to a robust economic expansion.

Hibernia investment will decline by almost half to \$400 million and employment will fall from 4,800 in 1996 to approximately 800 this year. First oil is expected by year end with royalty payments expected shortly thereafter. Terra Nova and Whiterose will follow Hibernia and provide a significant boost to employment. When all three projects are operating at full capacity, oil production off Newfoundland's east coast will represent almost 20 per cent of Canada's light crude oil production. Oil and gas exploration is also expected to rebound this year. Amoco

Canada will begin drilling two wells in the Grand Banks region at a cost of \$25 million per well.

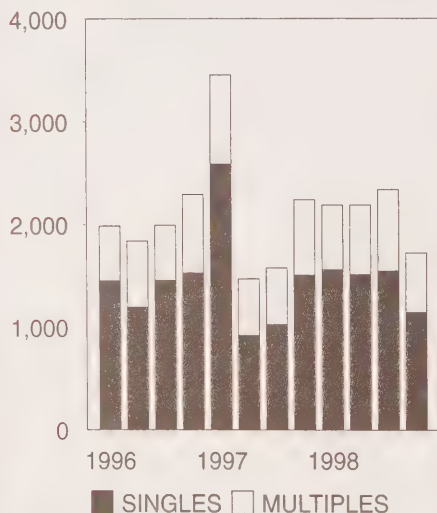
The province's mining industry will record huge gains during the forecast period. Construction work on the Voisey's Bay mine and smelter will begin in 1998, generating approximately 2,500 jobs. The mineral exploration boom that followed the Voisey's Bay discovery will continue this year: about \$75 million in expenditures and about 400 person years of employment are expected. Strong world markets for iron ore will also result in another good year for mining operations in Labrador West.

The anticipated opening of a limited cod fishery and an increased quota for capelin will lead to modest gains in the fishery this year. The lucrative crab fishery is expected to remain on par with 1996. Last year, industry employment reached its highest level since 1993. Further gains are expected in 1997 but employment will remain well below levels recorded prior to the fishery closure in 1992.

High unemployment at home and better job prospects in other parts of Canada will result in continued high levels of out-migration from the province this year. While out-migration will remain high in 1998, opportunities associated with a strong economic recovery will help stabilize employment levels.

Housing Starts NEWFOUNDLAND

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Housing markets to record mixed performance

Weakness in the economy, out-migration and rising costs associated with the new harmonized sales tax will contribute to a 6.6 per cent decline in residential construction activity in 1997. The overall decline will be tempered by low mortgage rates and increased demand in areas directly impacted by the Voisey's Bay development, such as Goose Bay, Argentia and St. John's. The metro area will also benefit from the Voisey's Bay project, Hibernia production, the Terra Nova development, and other oil- and gas-related activities.

Builders of single-detached homes will experience the largest decline in 1997, with singles forecast to dip by 10.4 per cent to 1,250 units. Multiple unit construction, at 650 units, will continue to be targeted to the ownership market, with strong demand from first-time buyers for

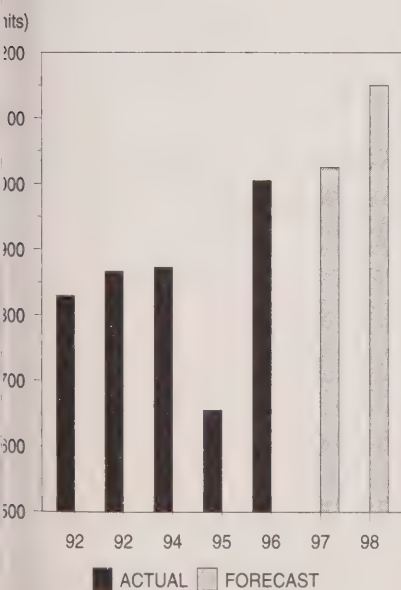
affordably priced semi-detached and two-apartment homes. In 1998, housing markets will rebound in response to a strong economic recovery and improved consumer confidence. Overall, housing starts will reach 2,100 units, an increase of 10.5 per cent.

The resale market will continue to record gains in 1997 despite weak economic conditions. The introduction of a harmonized sales tax in April will widen the gap between the cost of new and existing homes and give the resale market a competitive edge. Though rising, mortgage rates will remain relatively low and will continue to stimulate demand from first-time buyers. The high end of the market will also benefit from an influx of personnel at Hibernia and Terra Nova. With construction work on the Voisey's Bay smelter slated to begin in 1998, sales activity this year is expected to be brisk in the Argentia area, adding further to MLS sales volumes. In total, provincial MLS sales will rise by 1.0 per cent, to 2,025 units. In 1998, a strong economic recovery will generate an additional 6.2 per cent increase to 2,150 units, the highest level since 1988.

Rental market outlook to improve in 1998

The rental market will remain weak in 1997 with the vacancy rate expected to remain in the 15 to 16 per cent range. Next year, however, an improved economy combined with migration to the metro region will give the market a much needed shot in the arm, with the vacancy rate forecast to fall to 13 per cent. Despite the improved outlook, movement to home ownership and continued additions to the rental stock in the form of basement apartments will prevent the vacancy rate from falling below 10 per cent over the medium term. ■

**Residential MLS Sales
NEWFOUNDLAND**



SOURCE: Canadian Real Estate Association.
FHC: Forecast.

Key Provincial Indicators

| NEWFOUNDLAND | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | -2.9 | -3.0 | 5.0 |
| Employment (% Change) | -3.6 | -2.0 | 2.5 |
| Unemployment Rate (%) | 19.4 | 20.0 | 18.7 |
| Housing Starts (Units) | | | |
| Total | 2034 | 1900 | 2100 |
| Singles | 1395 | 1250 | 1425 |
| Multiples | 639 | 650 | 675 |
| MLS Sales (Units) | 2005 | 2025 | 2150 |
| Average MLS Price (Dollars) | 93661 | 93500 | 94000 |

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Prince Edward Island

by Ralph Freeze



Highlights

- Strong ending for 1996 contrasts with the previous year
- Economic transition will hurt housing demand
- New construction and resale markets slow down from 1996 levels

Final quarter looks good — relatively

The final quarter of 1996 was encouraging in comparison with the year before. Single-detached construction outperformed the same quarter of 1995 and total construction

improved after a particularly low period.

New home construction in 1996 was 30 per cent higher than the year before, but remained at the second lowest level in the 1990s.

The resale market also recovered from a dismal 1995 with great vigor, improving by over 50 percent, including an extremely strong final quarter. Response to declining mortgage rates led to one of the best years for MLS sales. Adding to this good news was a \$10,000 increase in average sales price. Home buyers used low mortgage rates as a way to purchase more expensive homes for the same cost.

higher-than-normal expenses to control blight. In addition, the provincial government is cutting back expenditures to avoid a major deficit.

Singles stable

New home construction will drop in 1997 along with the economy and consumer confidence. The loss of jobs and reduced incomes will have a negative effect on demand. However, supply will be encouraged by low borrowing rates. Next year will see a rebound in new homes to 1996 levels, in all units except rentals.

Single-detached construction in the Charlottetown and Summerside areas will decline slightly from 1996 levels. Uncertainty will delay building, especially during the first half of the year, but confidence levels should rise afterward. Low interest rates will lead to construction for the speculative market at a pace similar to last year's.

1997-98 Outlook

Economy dips in 1997

This year, the provincial economy will have to overcome several negative factors. The most obvious will be the completion of the bridge connecting the Island to New Brunswick and the end of CN ferry service. Once the bridge opens in June, a significant number of ferry related jobs will be lost, reducing employment figures that have already started to dip.

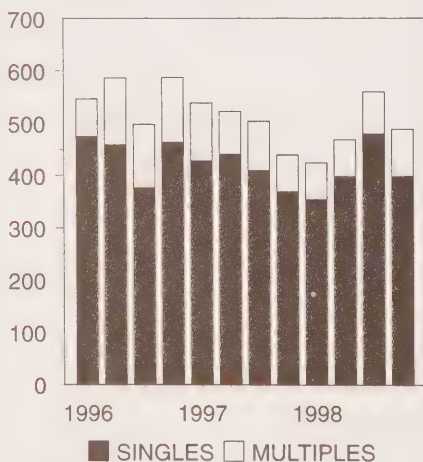
Besides these well-publicized events, the potato industry is suffering after three good years. Table and seed potato sales are low enough that approximately 1,000 employees are without work. Low prices will affect producers already hurt by

Reduced rental construction

With the slide from record high vacancies in the Charlottetown market, construction of rental units will be appealing for investors. Unfortunately, October's 4.0 per cent is not expected to remain through this year. In a sliding economy that sees tenants searching for work, rental demand should decline. In the near future, low mortgage costs will continue to stimulate the trend toward ownership and affect vacancy rates.

Housing Starts PRINCE EDWARD ISLAND

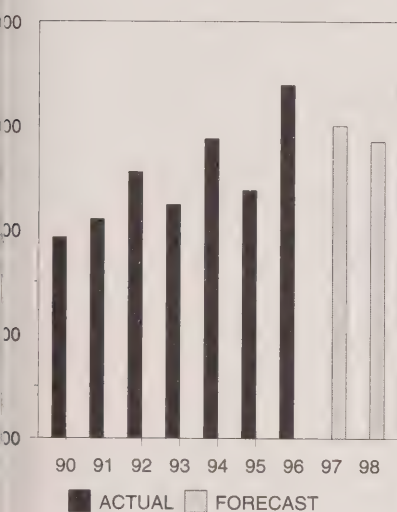
(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Housing in rural communities on the Island often follows a track opposite to that of the provincial economy. Rural areas on P.E.I. are expected to see a boost in new homes over the next two years. Both single-detached and apartment construction will increase. In addition, the lack of rental accommodations in these areas is beginning to spur interest in small complexes with four to six units.

**Average Resale Price
PRINCE EDWARD ISLAND**



SOURCE: P.E.I. Real Estate Board.
1998 CMHC forecast.

Resale market to slow down slightly

The sale of existing homes will back off somewhat from the torrid pace of 1996. The P.E.I. economy will lead some owners to put their homes up for sale and cause potential purchasers to hesitate. That combination alone will slow the market down. While mortgage rates will be a positive factor, particularly for first-time buyers, this category of purchaser will not be as prominent as last year because many potential buyers have already made the move to ownership.

The average sale price will drop slightly from last year's record level of \$83,900. As interest rates move up, purchasers will generally buy more modest homes. Income and job

security concerns will make affordability a prime concern.

In most of the province, markets will favour buyers for another two years. The average number of days to sell a home will creep up again after declining in 1996. These conditions will keep listings at high levels and provide purchasers with a full range of choices in house types, locations and prices. ■

Key Provincial Indicators

| PRINCE EDWARD ISLAND | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 2.2 | -1.3 | 2.0 |
| Employment (% Change) | 1.7 | -5.0 | -1.7 |
| Unemployment Rate (%) | 14.5 | 16.2 | 16.4 |
| Housing Starts (Units) | | | |
| Total | 554 | 485 | 515 |
| Singles | 430 | 415 | 425 |
| Multiples | 124 | 70 | 90 |
| MLS Sales (Units) | 750 | 625 | 600 |
| Average MLS Price (Dollars) | 83922 | 80000 | 78500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Nova Scotia

by André Moore and Sally Erskine Doucette



Highlights

- Hot resale market profits from financial incentives
- New singles active as PST rebate set to end
- High vacancy rates slow apartment construction

Nova Scotia housing market strong in 1996

The housing market was very active in Nova Scotia throughout 1996. A combination of events encouraged a home buying spree which lasted until year end. It was spurred on by historically low mortgage rates and upcoming changes to provincial sales taxation. The provincial sales tax (PST) rebate program is expected to end on March 31st, and the new

harmonized sales tax will be in effect after April 1st. These changes may raise the cost of housing by between 2.4 and 5 per cent.

The level of MLS sales was 19.4 per cent higher at the end of the year than at the end of 1995, for a total of 8,372 units. All areas experienced an increase, with the exception of Cape Breton Island. Most notably, activity in the Halifax Region increased by 25.2 per cent, to an all-time high in MLS sales. Part of the increased activity is attributed to a change in the composition of listings, based on the fact that a much higher proportion of new construction is being sold through MLS (see feature article). During the year, the average resale price rose by 4.1 per cent, to \$93,444. The South Shore area experienced an increase of 12.8 per cent, to \$62,010.

While consumers did not have more job security, they did begin to adjust to the new economy by making do with less. Consumer confidence continued to be shaky, with little net job creation and increasing high rates of part-time employment (up to 20 per cent).

New construction of home owner units also increased during 1996. Starts for single detached units were up 27 per cent in urban areas, and up 8.0 per cent in all areas combined. Only the Sydney Region showed a decrease in single-detached housing starts. Many first-time buyers took advantage of the opportunity to combine a PST rebate with sweat equity to make up a five per cent down payment. Home builders responded by catering to the low end

of the market in unprecedented numbers.

1997-98 Outlook

First-Time buyer demand to slow in 1997-98

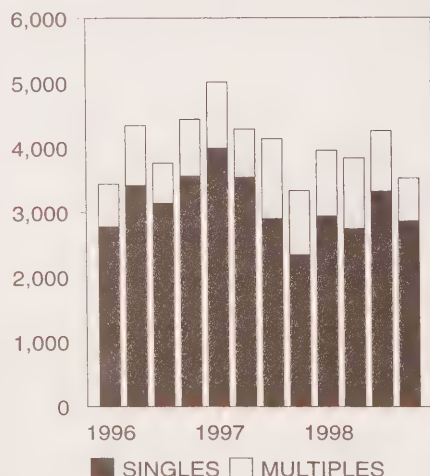
The forecast period will see reduced levels of activity in housing. Housing demand in the next one to two years has been reduced because many buyers, especially first-time buyers, have already rushed to take advantage of low interest rates and financial incentives and to beat what they perceive will be HST-related price increases.

The first quarter of 1997 is expected to continue the busy trend of 1996, followed by a wait-and-see attitude, which will slow down the spring season. Once consumers understand how housing will be affected, business as usual will resume. However, without significant employment gains, consumers will still be reluctant to commit to larger, move-up purchases. Most transactions that do occur will come from first-time buyers or buyers looking for features that cannot be found in existing houses, such as home offices and suites for older relatives.

Low consumer confidence will continue. Any increase will depend upon job creation in the province, which is expected to be low, at about 2.0 per cent throughout the forecast period. Future job creation will likely follow the pattern established in

Housing Starts NOVA SCOTIA

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

1996, occurring primarily in the export sector (up 4.0 per cent), and in small businesses (+6000 jobs). Meanwhile, job cuts will continue to occur in both the private and public sectors. Fiscal restraint policies are expected to have a dampening effect on the economy for at least five years.

Resale homeowner

The resale housing market will have an interesting combination of high levels of activity and stable or discounted prices in the near term future. MLS sales are forecast to hit the high level of 7500 sales in 1997 and 7000 in 1998. While this is a significant reduction from last year's hot market, it nevertheless represents historically high levels. The sharp increase in sales figures in recent years is attributable to a dramatic increase in the number of newly built units which are being listed for sale through MLS. This activity will slow after April 1, and sales through MLS will decrease.

Low interest rates and discounted higher-priced homes are stimulating the resale market for buyers other than first timers, and fuelling demand for mid-priced homes over \$125,000. As the number of first-time buyers declines, lower demand will affect prices and stifle move-up buyers somewhat as well. Prices are forecast to increase by three per cent in 1997, partly as a result of the upcoming HST, and by two per cent in 1998. While the overall average price is increasing slightly faster than inflation, price changes are occurring inconsistently across the market. Most houses are fetching stable prices, and those in the higher price ranges are being discounted significantly.

New homeowner

Newly built homes will be in high demand for the first three months of 1997. The PST rebate on building materials, scheduled to end on March 31st, is being used extensively for

Hot Sales: Big Changes

You may have noticed a difference in the words we are using to discuss the housing market. In recent months we have moved from talking in terms of three market segments, these being new construction, resale and rental, to discussing activity in terms of two broad categories — ownership and rental. While the differences are subtle, they are important.

It used to be that most newly constructed housing in the province was pre-sold, with only five to ten per cent built on spec. Very little new housing was listed for sale by the Real Estate Boards through the Multiple Listing Service. Under these circumstances, "resale housing" meant resale of existing housing.

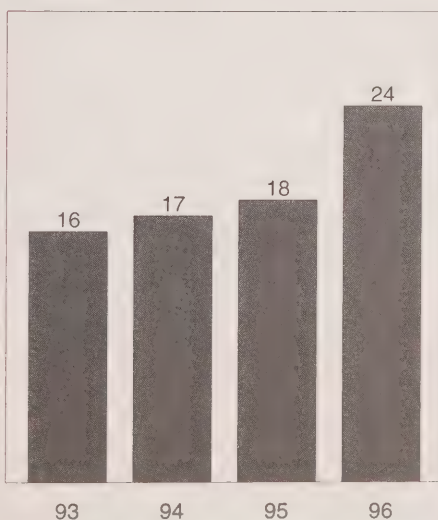
However, in the last few years, things have changed, in the Halifax Region and probably elsewhere in urban Nova Scotia (though data is readily available only for the area covered by the Halifax-Dartmouth Real Estate Board). Spec-built housing is now being listed on MLS, and accounted for a full 24 per cent of single and semi-detached sales through MLS in 1996, compared with 18 per cent in 1995, 17 per cent in 1994, and 16 per cent in 1993. (See graph.)

To a large extent this explains the huge increases in MLS sales and the historically high totals of recent years. In a shrinking market, builders must be more competitive and must actively

market their product. In addition, as builders cater to first-time home buyers, at the low end of the market, they are competing directly with the existing resale market.

Newly constructed homes have been traditionally built for move-up buyers at higher prices or customized for the elite market. With changes in their client base, builders are seeking out customers, and they are finding them through MLS. ■

New construction as percentage of total MLS sales Halifax CMA



SOURCES: CMHC and Halifax-Dartmouth Real Estate Board.

down payments by first-time home buyers. This reduces the number of potential first-time buyers in future years. Results of a recent CMHC survey indicates that the attraction of financial incentives will encourage housing consumers to accelerate their purchases by one or two years, but not much more. This means that following April 1, the first-time buyer market for new housing will slow considerably for one to two years. For this reason, the forecast for single starts is 3100 in 1997 and 3000 in 1998. As long as interest rates continue low and relatively stable, demand will not drop off dramatically.

Rental market

Slow, cautious development of rental projects in Nova Scotia will continue over the forecast period. Two large sites are slated for development in 1997 in the Halifax Region, one on the Halifax waterfront, and phase two of a Clayton park project. In addition, small scattered infill projects will continue in prime locations of the Halifax Region, particularly on the south and north ends of the peninsula, and along the ridge from Clayton

Park to Bedford. The vacancy rate in the Halifax Region is expected to decrease to 7.5 per cent by October 1997 as net migration is positive and construction of new units is at a historic low. The 275 apartment units started in Nova Scotia in 1996 also represent a record low level.

Mature renters are the focus for most developers in Nova Scotia. Small towns across the province will continue to pursue young retirees by developing small projects with

specialized features appealing to households who want secure, high-quality housing. Towns that have shown an interest in building small rental projects include Pictou, Chester, Bridgewater, Bridgetown, Kentville, Tatamagouche, and Stewiacke. ■

Key Provincial Indicators

| NOVA SCOTIA | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 0.9 | 1.3 | 1.8 |
| Employment (% Change) | 0.3 | 0.5 | 0.5 |
| Unemployment Rate (%) | 12.6 | 12.6 | 12.4 |
| Housing Starts (Units) | | | |
| Total | 4059 | 4100 | 3900 |
| Singles | 3278 | 3100 | 3000 |
| Multiples | 781 | 1000 | 900 |
| MLS Sales (Units) | 8372 | 7500 | 7000 |
| Average MLS Price (Dollars) | 93444 | 96300 | 98300 |

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

New Brunswick

by Bruce Read and Laurie Gosselin



Highlights

- Economic growth will strengthen
- New construction gains will continue
- Prices are set to increase
- Soft rental demand will limit apartment development

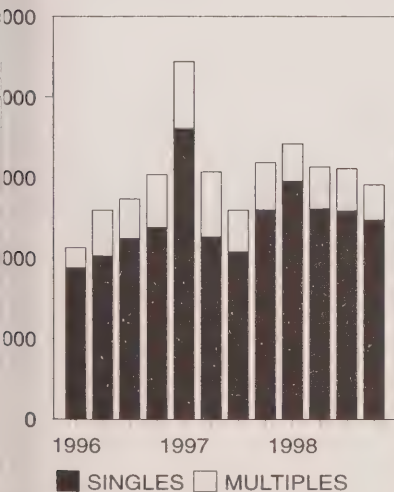
Back on track

Realtors and builders alike were busy this past year, with increased sales in all sectors of the housing market. Lower mortgage rates stimulated home buyers to take advantage of house prices that remained close to 1995 levels.

Construction started early across the province. First-quarter single-family starts jumped up by a

Housing Starts NEW BRUNSWICK

(Units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

robust 66 per cent. Although home building eased during the summer, the trend reversed during the final quarter, when mortgage rates plummeted and construction leaped ahead by 34 per cent, resulting in a 26 per cent increase for the year.

Growth in the new homes market was reinforced by strong demand in rural areas. New single-family housing starts in the non-urban areas were up 39 per cent over the 1995 level. Bathurst and Moncton displayed the strongest growth among the larger centres. Advances of 57 and 21 per cent respectively kept builders busy in both centers.

Despite attractive mortgage rates, apartment developers remained cautious. Vacancy rates in the rental market that have stabilized at near 7.0 per cent show no signs of retreating. The number of multiple-family units started during the year declined to 549, a drop of 5.0 per cent from the previous year's level. Gains in some smaller markets were more than offset by a 15 per cent setback in Moncton, where activity levels have been leading the province.

Buyers who could not afford the higher price of a new home found what they needed in the existing market. After reaching 3,500 in 1995, sales surged ahead by 15 per cent last year and broke through the 4,000 mark to set a new record. Realtors in the Saint John market were the big winners, as sales in the Port City grew by 25 per cent. Supporting strong sales across the province were flat prices reflecting year-ago levels.

1997-98 Outlook

Economic growth continues

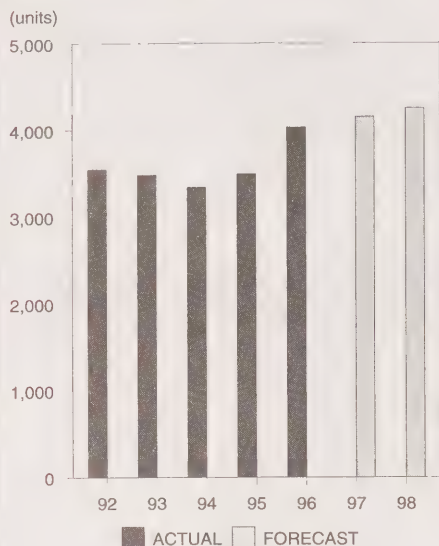
The provincial economy in 1996 suffered from a downturn in forestry and manufacturing. Weak demand for pulp and paper products and the completion of the Canadian Frigate Program at the Saint John dry docks blemished an otherwise healthy economic record.

This year the economy will post stronger gains. GDP growth, up by an estimated 1.8 per cent last year, will advance by 2.4 per cent this year. Led by a rise in the construction industry and a turnaround in manufacturing, economic activity in the province will gain momentum throughout the year.

The provincial government's commitment to spend \$1.4 billion on highways is a welcome offset for recently completed non-residential construction projects, notably the Fixed Link. With start-up scheduled for this spring on the \$600 million highway from Moncton to Fredericton, construction employment will rebound over the summer months.

Pulp and newsprint prices, which plummeted last year, will begin to make small gains this year. Higher pulp prices and the resolution of the proposed Avenor takeover bid would clear the way for the \$300 million refit and reopening of the Atholville mill in Campbellton, now on hold. Lumber and other wood products however, will remain firm in line with residential construction activity on both sides of the U.S.-Canada border.

Residential MLS Sales NEW BRUNSWICK



SOURCE: Canadian Real Estate Association
CMHC: Forecast.

The mining sector in 1997 will benefit from continued price strength in the commodities market, as well as from increased capacity, with the reopening of a base metal mine in the Bathurst area that will employ more than 300 workers.

Consumers shrugging off the effects of job insecurity will continue to play a strong role in the market place. A growing willingness to spend was evident last year: retail sales growth was among the highest in the country. The coming harmonized sales tax (HST) will bring added relief to consumers and bolster overall demand through the second half of the year.

Despite the reduction in government transfer payments, personal disposable income growth is set to increase by 3.0 per cent this year. Lower interest rates should also reduce debt more quickly and leave more money in the hands of consumers.

Employment, below expectations last year, will advance by 1.6 per cent this year. After losses last year, the primary sector will join the construction and manufacturing industries in creating many of the new jobs.

Housing market

The housing market will mirror the economy and record improved performance both this year and next.

New construction will post growth of about 10 per cent this year after coming out of the doldrums in 1995. The strength will come from the home ownership market, as the limited choice of existing houses leads to stronger sales of new homes. In an effort to sidestep the uncertainty caused by the implementation of the HST on April 1, buyers will be active during the opening months of the year. Small mortgage rate hikes expected later in the year will have little impact on sales.

With a strong economy and continued in-migration, the Moncton market will boast the biggest gains. Although government workers are still concerned about job security,

Fredericton will also outperform last year's level. Labour negotiations at the dry dock will make or break this year's construction season in Saint John.

Sales in the existing market will be close to the record 1996 level.

Moncton, again the leader, will be the only centre to post notable gains.

With fewer homes on the market this winter and prices that have held steady for the past year, buyers can expect to pay more for new homes this year. The average price of an existing home rose only 0.2 per cent in 1996, but will climb to \$85,600 this year before advancing to \$86,500 in 1998.

Multiples, which are driven by rental production, will post small gains. The persistently high vacancy rates experienced in most market areas will keep developers hesitant about new construction. ■

Key Provincial Indicators

| NEW BRUNSWICK | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.8 | 2.4 | 2.6 |
| Employment (% Change) | -0.3 | 1.6 | 1.9 |
| Unemployment Rate (%) | 11.7 | 11.2 | 10.9 |
| Housing Starts (Units) | | | |
| Total | 2722 | 3000 | 3100 |
| Singles | 2173 | 2350 | 2600 |
| Multiples | 549 | 650 | 500 |
| MLS Sales (Units) | 4023 | 4150 | 4250 |
| Average MLS Price (Dollars) | 84198 | 85600 | 86500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Quebec

by Kim-Anh Lam

Highlights

- First-time buyers again dominate the market
- The vacancy rate will go down
- Private sector employment key to housing

Major increase in fourth quarter residential construction

Residential construction ended 1996 on a positive note by rebounding from 21,900 units seasonally adjusted at annual rate (SAAR) to 25,300 in the fourth quarter. That represented a 16 per cent rise over the preceding quarter and capped the first vigorous

increase in housing starts in eight years.

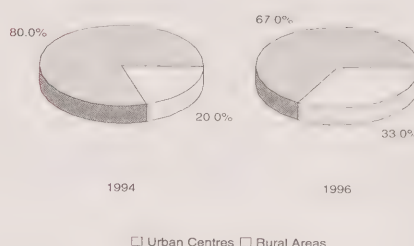
The total number of housing starts rose from 21,885 in 1995 to 23,220 in 1996, an increase of 6.1 per cent, mainly because of a 17 per cent rise in rural municipalities near urban centres. In comparison, construction in Quebec's urban centres rose by a mere 2.0 per cent. With this rise, rural construction comprised 33 per cent of total construction activity in 1996, up from previous levels of 20 per cent in 1994 and less than 15 per cent in 1986.

The real estate market was sustained by the strong presence of first-time buyers after lower interest rates and renewed consumer confidence overcame deteriorating labour market conditions at mid year. Much of the increase in housing starts in Quebec resulted from a 10 per cent gain in single-detached home building and an 8.3 per cent rise in semi-detached and row housing construction. With a ceiling of under \$100,000, the average price of new houses met first-time buyer demand. In contrast, rental housing starts rose by fewer than a hundred units to 2,746, while condominium construction declined by around a hundred units to end the year at 1,929.

The existing home market, which normally brings over 60,000 houses into the market every year, benefited from exceptional activity in 1996. The number of homes sold through MLS jumped by 26 per cent in 1996, to nearly 38,000. As in the new home market, the influence of first-time home buyers was evident: their prefer-



Greater construction in rural areas QUEBEC



SOURCE: CMHC.

ence for low-cost housing kept the average MLS price under \$100,000. As a result, the average MLS price did not increase again in 1996, but more home owners succeeded in selling their properties.

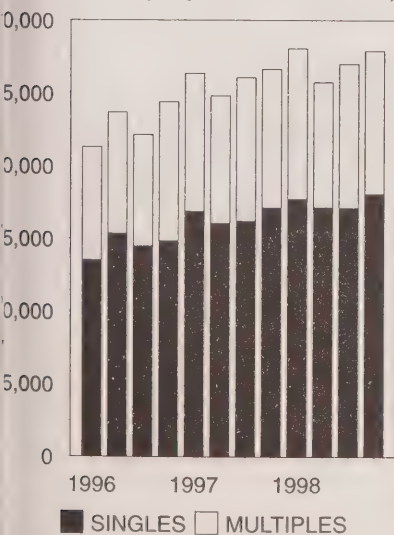
1997-98 Outlook

The housing market will do even better in 1997-98

Construction of all housing products will increase over the next two years, by 12 per cent this year and another 3.5 per cent in 1998. First-time home buyers will dominate the market, accounting for at least 75 per cent of the demand for both new and existing homes. Demand will also be fuelled by baby boomers and young professionals. Newly retired persons will be seeking houses that will be smaller and better suited to their needs. The precariousness of employment and family status will guide young professionals more towards renting

Housing Starts QUEBEC

units, seasonally adjusted at annual rate)



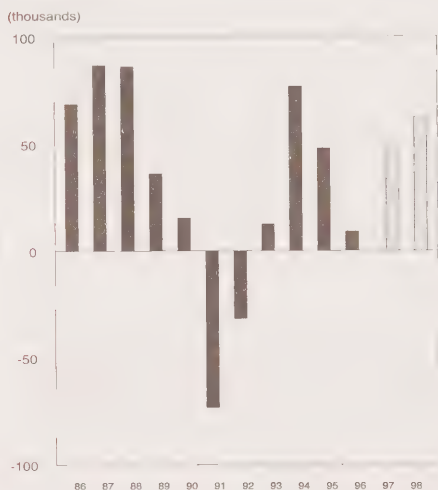
SOURCE: CMHC.

1997-98 Forecast.

than buying, increasing demand of up-market rental units now unavailable on the existing market.

The housing market will again follow economic trends. While demographic factors would sustain a housing demand of under 30,000 units per year in Quebec, other factors will give the housing market a boost. After a relatively depressed year, the labour market will improve in 1997 with the creation of 48,000 jobs and an unemployment rate below 11.5 per cent. Employment growth in the private sector, mainly in exports and professional services to businesses and individuals, will offset job losses within the Quebec government and large corporations.

Better employment growth QUEBEC



SOURCE: Statistics Canada.
1997-98 CMHC forecast.

Since 1994, net population flows into Quebec have improved: there is now a net balance of over 20,000 people per year, with international immigration more than offsetting the losses through interprovincial migration. A net gain of 25,000 people is expected in 1997. This would represent a 19 per cent gain over 1996 and contribute favourably to housing demand in Quebec, particularly in the greater Montréal area.

One of the best years for home ownership in Quebec

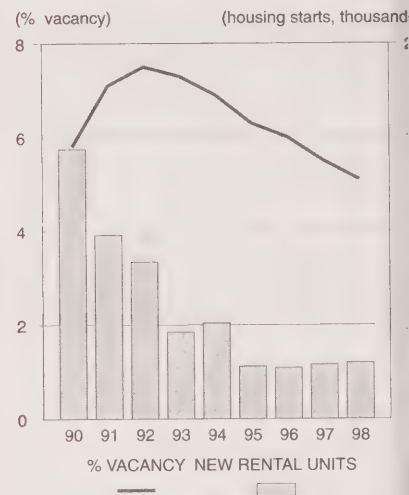
The housing stock will grow by 26,000 new units in 1997 and by 26,900 more in 1998. Single-family housing will again be the most in demand, with a 78 per cent market share of residential construction. There will be 16,600 new single-detached houses (+12 per cent) and 3,700 new semi-detached and row housing units (+15 per cent). The great availability of land and the use of new residual lots in Montréal will favour home ownership. With land prices progressively declining over the past few years in urban centres, affordable homes have become more prevalent.

With a decline in rental housing inventories, some developers will invest once again in rental properties. There are now fewer than 200 new units for rent, compared to a peak of over 2,500 units at the beginning of the decade. Although the vacancy rate decreased to 6.0 per cent last October from 6.3 per cent in 1995, there are still too many empty units for the market to be able to absorb a massive arrival of new rental housing. There should be 3,000 new units in 1997 and 1998, a 9 per cent increase over last year. The new housing stock should mainly meet the needs of new clients, such as retirees and young professionals. The vacancy rate in Quebec will therefore continue to go down, to 5.7 per cent in 1997 and to 5.1 per cent in 1998.

Finally, the condominium market is slowly recovering from large inventories of new and existing units. There are 1,000 new units left to be absorbed, in comparison with over 2,500 in 1992. Consequently, even though the volume of construction will remain low, with 2,100 units forecast for 1997 and 2,300 for 1998, these figures still represent increases of 9.0 per cent in each of those years.

The resale market, which posted a record in 1996, will continue to grow but at a slower pace. The number of

Vacancy Rate and New Housing Supply (Quebec Urban Centres)



SOURCE: CMHC, Rental Housing Completions.
1997-98 Forecast

MLS transactions will rise by 3.0 per cent to 39,000 in 1997. A more vigorous resale market intensifies the competition between MLS sales and transactions resulting from exclusive mandates (homes not offered through MLS system). As a result, transactions from exclusive mandates will take a larger share of MLS home sales. With a good performance, the resale market reduced its large surplus of houses for sale. After five years of stagnation, 1997 should see a 3.0 per cent increase in the average MLS price, to \$102,000.

Clouds over the outlook: Tightening of mortgage credit, cuts in the public service

The real estate market recovery is being jeopardized by two factors. First, tightened credit conditions for first-time home buyers could shrink the current pool of potential buyers. Home ownership could be curbed by the lender policy requiring a minimum down payment from a buyer's own equity, in addition to the funds withdrawn from an RRSP. In Quebec

over 30,000 people used their RRSPs to buy a home in 1996.

Second, Quebec government efforts to put public finances back in order, involving the elimination of 15,000 jobs within the public service, will likely strike a hard blow at consumer confidence in certain areas of Quebec. Consequently, optimism in the real estate sector depends on continued low mortgage interest rates and vigorous employment growth in exports and professional services. ■

Key Provincial Indicators

| QUEBEC | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.5 | 2.4 | 2.5 |
| Employment (% Change) | 0.3 | 1.6 | 1.8 |
| Unemployment Rate (%) | 11.8 | 11.5 | 11.4 |
| Housing Starts (Units) | | | |
| Total | 23220 | 26000 | 26900 |
| Singles | 14818 | 16600 | 17400 |
| Multiples | 8402 | 9400 | 9500 |
| MLS Sales (Units) | 37863 | 39000 | 40000 |
| Average MLS Price (Dollars) | 98980 | 102000 | 103000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

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Ontario

by Alex Meadow



Highlights

- Ownership very affordable
- Home resales go through the roof
- Moderate home price growth expected
- Home construction to move up

Second half of 1996 review: Ontario home starts increase to highest in over two years

Thanks to increased construction of both single-detached and multiple units, fourth quarter starts increased by five per cent to 46,700, at a

seasonally adjusted annual rate, their highest level in over two years. Growth in ownership multiple starts can be attributed to low inventories of completed and unoccupied row and apartment units and to strong first-time buyer demand for affordable new construction.

With high vacancy rates, on the other hand, rental construction plummeted in the second half of 1996, capping a year in which rental construction virtually ceased, with only 1,725 rental and co-op starts.

There are several reasons for lower rental demand. First, the province's younger renter population has shrunk — a trend which is about to reverse. Second, with high youth unemployment, those without jobs tended to double up or stay with their parents rather than rent. Third, higher priced rental is competitive with

home ownership and many potential renters took the plunge into home ownership. Finally, Ontario's welfare cuts have taken income away from just under a third of renter households.

Resale markets have been especially active this year. A combination of affordable home prices and low mortgage rates has made it easier for many people to buy homes. By the end of 1996, the real carrying cost for principal and interest on an average-priced resale home had fallen to a record low (see chart). Consequently, 1996 home resales skyrocketed to a new record. A large proportion of resales was in the lower or first-time home buyer price ranges, and this kept increases in Ontario's average resale price to a minimum.

Excellent affordability!

Real mortgage carrying costs remain among the lowest recorded since 1980 (when Ontario's monthly average resale price data were first compiled by the Canadian Real Estate Association). The adjacent chart illustrates the real principal and interest carrying costs on the average resale home in Ontario. A 25-year amortization period and three-year mortgage rate were used in the calculations. Note today's low carrying costs. It's no wonder that home resales have skyrocketed! ■

Ontario homes are very affordable

Principal and interest carrying costs, \$ 1996



SOURCE: CREA MLS price, 25% d.p., 25 yr. amort., 3 yr. rate., Ont. CPI deflated

1997-98 Outlook

Population has grown, now job growth will speed up

For most of this decade, housing starts were well below demographic expectations. Ontario's demographics — factors such as the size and age structure of the population, migration, births and deaths — show that more than 50,000 new households should be formed every year. The same number of home starts should be expected.

Provincial housing demand, generated by population growth of over a million since the beginning of the decade, has been tempered by severe job losses at the beginning of the nineties and by slower than usual job growth since. With high immigration, however, demographic pressures on housing will remain moderately strong.

With limited wage gains and restraint in government spending, the Ontario economy has been holding home starts back. While in numerical terms lost jobs have been more than

recovered, fewer new jobs are full-time. Over the next two years, the province's transition from economic recovery to economic expansion will lift housing activity. Interest rates, expected to remain low, will provide a welcome monetary boost for businesses and consumers alike. Jobs will grow faster in the next two years.

Stronger resale markets with higher starts numbers

Housing starts are forecast to rise through 1997 and 1998 along with the growth in jobs and consumer confidence. Total home starts will jump 17 per cent to 50,500 in 1997 and another 5.0 per cent to 53,000 in 1998. The growth in housing starts will be slower, as home construction approaches demographic requirements.

Single starts will rise the most. Prospects for increases in multiple-family home construction are also very good. Jobs will encourage uncoupling of households, and nudge vacancy rates down and rental starts up. At the same time, an increasing number of renters in search of cost-competitive home ownership options will increase freehold townhouse and condominium starts. Inventories of newly constructed unsold multiple

units are low enough to require new construction to meet demand. The challenge to new home builders is to develop affordable housing that appeals to first-time buyers.

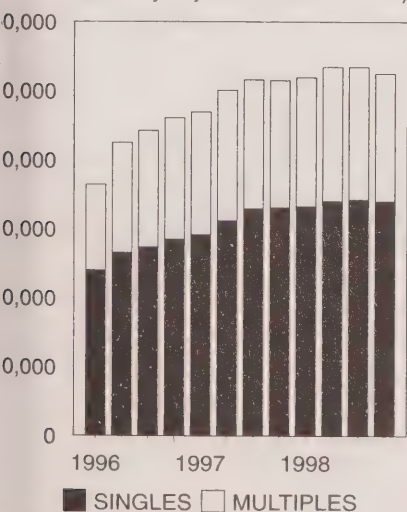
Recent growth in new home prices indicates a pending home construction revival. New Home Prices Indices declined in most Ontario centres last year, but rose in most centres at the end of the year, mainly because of increases in home construction costs.

Ultimately, existing home markets set the stage for new construction. Record resale activity in most of Ontario's centres at the end of 1996 have caused market classification indicators such as sales-to-new listings ratios to skyrocket into seller's ranges. That signifies increases in home prices and home construction. Affordable mortgage carrying costs coupled with job growth will lead to even more resales this year. Lower, but still very high, resale numbers are anticipated in 1998.

Home prices will grow, but not spectacularly. Most Ontario consumers have been constrained by a prolonged period of slow or nonexistent real income growth. Average resale home prices will increase modestly, at rates close to the general rate of inflation. A slight shift to more expensive move-up home

Housing Starts ONTARIO

Units, seasonally adjusted at annual rate)



SOURCE: CMHC.
97-98 Forecast.

Key Provincial Indicators

| ONTARIO | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 1.6 | 3.3 | 2.8 |
| Employment (% Change) | 1.5 | 2.1 | 2.2 |
| Unemployment Rate (%) | 9.1 | 8.9 | 8.8 |
| Housing Starts (Units) | | | |
| Total | 43062 | 50500 | 53000 |
| Singles | 27019 | 32000 | 34000 |
| Multiples | 16043 | 18500 | 19000 |
| MLS Sales (Units) | 138859 | 144000 | 142000 |
| Average MLS Price (Dollars) | 155576 | 159000 | 162500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

purchases will account for a part of the increase in the average resale price.

Migration patterns will explain a large part of the variation in rental vacancy rates across Ontario. High immigration will keep vacancy rates relatively low in Toronto and in areas within commuting distance from Toronto, such as Hamilton, Kitchener and Oshawa. Windsor's job growth

will keep its vacancy rate among the lowest. The higher vacancy rates are expected in Sudbury and Thunder Bay, followed by St. Catharines and London centres that will experience net migration losses or slow job growth. ■

Factoring inflation into your home buying decision

Income assessment is an integral part of taking out a mortgage. In choosing a comfortable monthly mortgage payment, purchasers should consider more than just their current income. It is also important to know how the real purchasing power of future income will stack up against future mortgage payments. And to do this, they have to be able to anticipate future inflation and income growth.

The example below, with two inflation scenarios, shows how the burden of mortgage carrying costs might fall off over a five-year period. With low inflation and low income gains today, it makes sense for buyers to plan home financing strategies by expecting to pay tomorrow what they are paying today. In more inflationary times, it could make more sense to expect to pay less in the future, even if they are overextended today.

The first inflation scenario is with a 10 per cent inflation, a level that was common when energy costs were high in the 1970s and early 1980s. The second scenario, with 1.5 per cent inflation, is more representative of the last five years, when there have been small wage gains and low inflation.

To better understand the effects of inflation, we assume that all the

other variables are constant. Households in both scenarios start off with a \$50,000 income and a \$900 principal and interest mortgage carrying cost. At a five-year rate of 7.25 per cent, that monthly payment would carry a mortgage of about \$126,000. Assuming the household made a ten per cent down payment, the purchase price of the home would have been \$140,000.

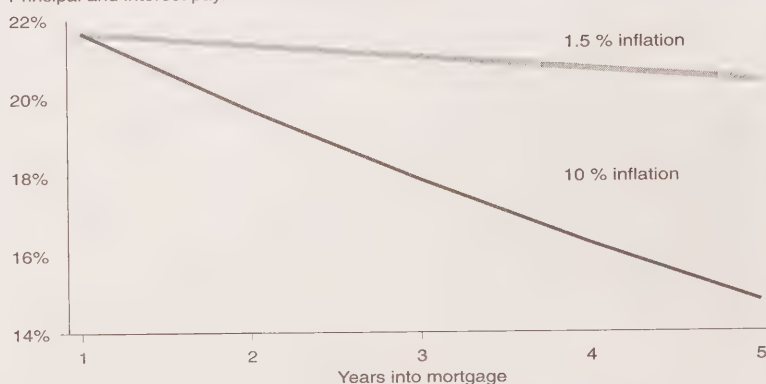
In both scenarios, the mortgage payment burden starts out at just under 22 per cent of household income, and income grows at the rate of inflation — that is, households keep up exactly with the cost of living. For most of the period since the Depression of the 1930s, disposable incomes have actually outpaced inflation. The 1990s have been a notable

exception: in that period, the purchasing power of Ontario's real after-tax disposable income per person has dropped by almost nine per cent.

At the end of five years, the burden of carrying a mortgage falls off by almost a third in the 10 per cent inflation scenario, to just under 15 per cent of income. With the 1.5 per cent inflation scenario, the mortgage payment hardly falls off at all and still represents over 20 per cent of income after five years. This indicates that the burden of mortgage carrying costs will remain for a while if today's conditions, with low inflation and low income growth, persist. ■

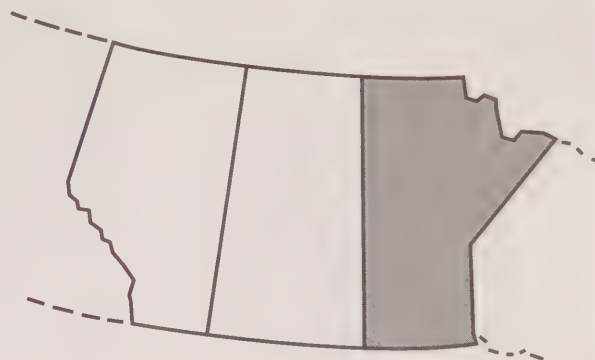
What you see is what you'll pay

Principal and interest payments as a share of income



Manitoba

by Richard Goatcher



Highlights

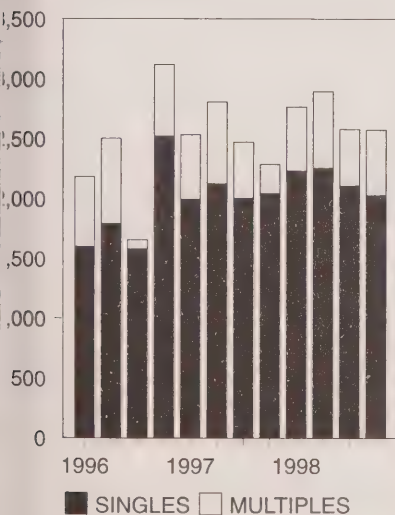
- Economy continues to improve
- Single starts to reach 2,050 units in '97
- Resales near the top of the cycle

New housing markets surge in fourth quarter

Brisk activity in rural areas helped support a strong turnaround in Manitoba's new housing activity during the fourth quarter. On a seasonally adjusted basis, activity jumped to 2,700 units from 1,900 in the third quarter. Actual starts

Housing Starts MANITOBA

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

advanced to 755 units, up 65 per cent from the fourth quarter of 1995.

While new home production in the province's four cities ended the year only slightly ahead of 1995 levels, an upsurge of rural activity helped singles advance by a wide margin. Strong grain prices and the Crow Benefit payout bolstered demand in southern Manitoba's farm belt, and construction of single-detached homes more than doubled in the rural areas in the fourth quarter. Meanwhile, multiple starts increased by 49 per cent in the last three months of 1996, largely on the strength of increased apartment construction in Winnipeg.

Resale markets ignited in the fourth quarter, and ended the year well ahead of 1995 levels. Average resale prices increased by over four per cent last year as many first-time buyers took advantage of low mortgage rates to purchase higher-priced units. Meanwhile, the surge in first-time buying resulted in higher rental apartment vacancies in Winnipeg.

1997-98 Outlook

Economic expansion gains momentum

Manitoba's economic growth outpaced the national average in 1996, owing in part to a surge in farm cash receipts. Despite forecasts of lower grain prices and higher input

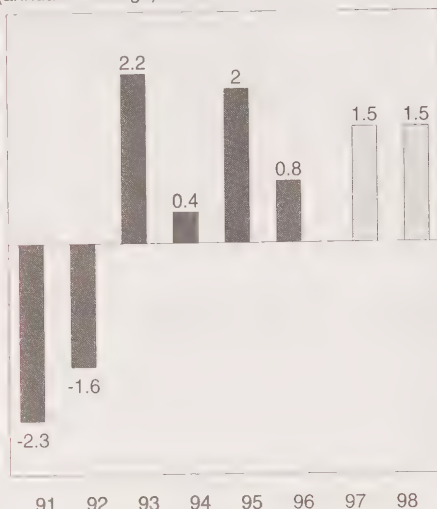
costs for farmers in 1997, rising consumer spending and sustained export markets will stimulate stronger economic growth in Manitoba.

Thanks to a resurgence in agriculture in North America, the province's farm machinery manufacturers will continue to benefit from strong export demand. Transportation products from Winnipeg's bus factories and aerospace firms will enjoy another successful year, as will the food processing and garment industries. Service sector growth will be underpinned by expansions in call-centre operations. However, cutbacks in the public sector will continue to put a drag on growth in 1997, although the reductions will ease in 1998 as government balance sheets improve.

Overall, employment in the province will improve by 8,000 jobs both this year and in 1998, but improvement in the jobless rate will be modest because the number of job seekers will grow steadily as well. In 1996, there was less net migration to other provinces for the sixth consecutive year. However, Manitoba typically loses more people when the economies of Ontario and Alberta start to heat up. As such, labour force growth will remain stable at near one per cent over the forecast period.

Employment Growth MANITOBA

(annual % change)



SOURCE: Statistics Canada.
1997-98 CMHC forecast.

Upturn continues for housing in '97

Improved consumer confidence, largely stable mortgage rates and a growing job market should result in the production of more than 2,000 single-detached units in 1997. In 1998, continued economic growth and lower unemployment will combine to maintain the improvement in consumer confidence and boost single starts to 2,150. Much of the improvement this year will be generated in the urban areas — particularly Winnipeg — which lagged well behind rural activity in 1996. With demand improving and builder inventories their lowest since early 1993, Winnipeg's singles production should approach 950 units this year. However, the city's share of the total Manitoba market will not improve as new home buyers continue to move into nearby bedroom communities at a steady pace.

Multiple-unit construction will reach 500 in 1997, following moderate gains last year. New developments have been largely targeting the 55+ seniors market, with

both condominium and life-lease tenures available in adequate supply in Winnipeg. While Winnipeg's unsold inventory has been reduced to below 30 units in recent months, developers remain cautious because of high vacancies and weak rent levels in the older existing rental market. However, the rate of condominium conversion has faltered since the peak years of 1994-95 with a reduction in suitable conversion stock. This should provide opportunities for astute condominium developers who can bring affordable units to market in suitable locations. Tighter rental market conditions in Brandon and Portage la Prairie should also provide opportunities for modest multiple-unit construction in 1997, particularly products with life leases for seniors.

Residential resale markets are considered close to the peak in the cycle, although one more year of improved sales is expected in 1997. Resales enjoyed a banner year in 1996, with both sales levels and average prices moving substantially higher. Steady declines in mortgage rates in the past year have made home ownership more affordable, and total sales increased by 12 per cent. As well, improved affordability associated with lower financing costs allowed many first-time buyers to move up-market and buy more home

for the same monthly payments. Sales of homes to NHA-insured first-time buyers priced between \$80,000 and \$100,000 increased by 34 per cent in 1996, helping the overall MLS resale price increase by 4.2 per cent after a 2.2 per cent decline in 1995. Resale activity will reach its peak in 1997 and experience a slight decline in 1998 as price increases start to choke off demand from lower-income renters. Average prices will not see the same stellar increases despite improvements in move-up sales.

Following four years of steady declines, vacancies in Winnipeg's private rental market increased during 1996. The CMHC October Rental Market Survey found that vacancies climbed to 6.0 per cent, compared with 5.4 per cent in October 1995 and 5.6 per cent in October 1994. Stronger sales to first-time home buyers left more apartments for lease. Vacancies remain highest downtown, where overall vacancy rates increased to 8.2 per cent, compared with an average of 6.5 per cent last October. In contrast, the majority of suburban areas saw modest declines, with the overall suburban rate dropping to 4.3 per cent. Winnipeg's landlords have responded to increasing vacancies by lowering rents across the city. After two years of rent increases just below 1.0 per cent, average rents declined by 0.6 per cent in past year. ■

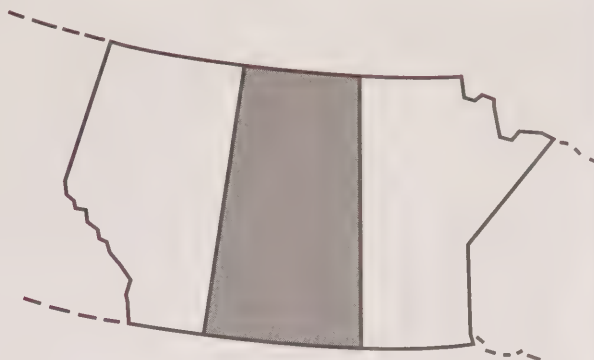
Key Provincial Indicators

| MANITOBA | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | 2.1 | 2.7 | 2.4 |
| Employment (% Change) | 1.0 | 1.5 | 1.5 |
| Unemployment Rate (%) | 7.5 | 7.1 | 6.7 |
| Housing Starts (Units) | | | |
| Total | 2318 | 2550 | 2700 |
| Singles | 1875 | 2050 | 2150 |
| Multiples | 443 | 500 | 530 |
| MLS Sales (Units) | 10965 | 11050 | 10600 |
| Average MLS Price (Dollars) | 85318 | 87000 | 88000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Saskatchewan

by Paul Caton and Todd Selby



Highlights

- Strong economy stimulated housing in 1996
- Prices will rise this year
- Single-family market to remain strong

1996 Overview

Saskatchewan's housing markets experienced a surge of activity in 1996. Seller's markets and rising average prices characterize the resale markets in most cities, while vacancy rates are at the lowest levels in 12 years. New home construction increased 43 per cent, driven by a strong economy and increased

in-migration from neighbouring provinces.

Most of the increase in new housing construction was concentrated in Regina and Saskatoon although Moose Jaw, Swift Current, Yorkton and Lloydminster also benefitted. Particularly impressive was condominium construction in Saskatoon, which contributed over 30 per cent of the new housing starts in urban Saskatchewan. Demand for homes in the rural subdivisions close to Regina and Saskatoon was also high, increasing by almost 60 per cent.

Rural home building was strong early in the year but tapered off as the year progressed. Migration to the cities contributed to the weakening of rural housing demand. An early winter added to the slowdown.

Strong job and wage growth created housing demand in 1996. With rising employment and wages, especially in manufacturing, potential home buyers saw an increase in their cash flow for the first time in several years.

Mine expansions and oil and gas exploration signalled particularly strong markets for the province's natural resources. Job growth in manufacturing has also been healthy in the Saskatoon area. One example is a surge in demand for farm implements. Another is the increase in food processing within the province, encouraged by the loss of the Crow Rate subsidy.

Migration has also turned around, continuing a trend that began in the

early nineties. There has been increasing in-migration from other provinces, mainly Alberta. Fewer people have left and more have come to Saskatchewan as economic activity grew faster than in neighbouring provinces.

1997 Outlook

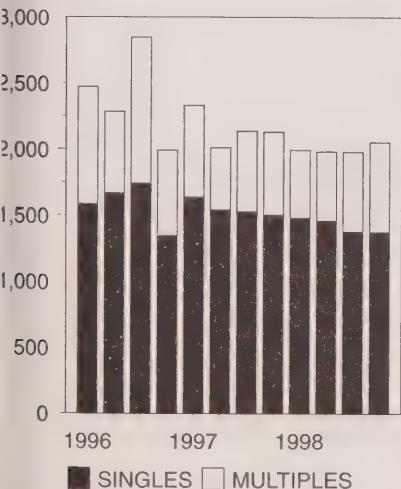
Slower growth expected in '97

After a healthy performance in 1996, Saskatchewan's economy will moderate in 1997 and stabilize at around 1.7 per cent growth for the next two years. The robust growth in natural resources, such as agriculture, mining, forestry, oil and gas, will not be sustained in the new year. Climbing global inventories have brought the prices of primary grains down in international markets from last year's levels. If, as is likely, the bumper crop of 1996 will not be repeated this year, farm incomes will decline. The expansion of the mining, forestry, oil and gas industries will slow to a more moderate pace as projects move into the production phase.

The strength of the Alberta economy will reverse Saskatchewan's positive migration and will weaken demand for housing around the province, especially in provincial rental markets sensitive to the prevailing migration flows. This decline in housing demand will be reflected in a modest decline in Saskatchewan's labour force. However, there will be increased job creation in the trade and

Housing Starts SASKATCHEWAN

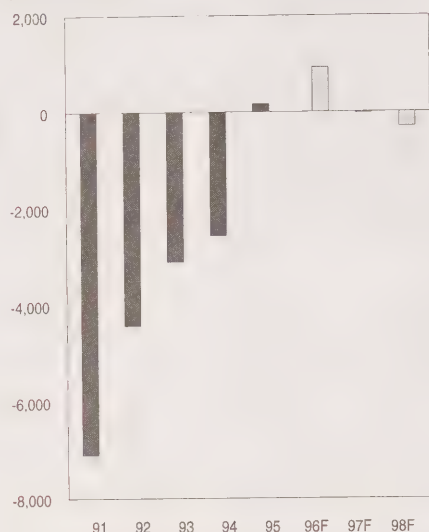
(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Total net migration SASKATCHEWAN

(number of persons)



SOURCE: Statistics Canada.
1997-98 CMHC forecast.

service sectors and the unemployment rate will remain below 7.0 per cent.

Undersupply to continue on resale market

In 1997, the resale market in Saskatchewan will be a seller's market, with rising house prices and rents, low vacancies, and stable single-family home construction. A surplus of new apartment condominiums in Saskatoon will slow down multiple construction.

The persistent shortage of resale listings will continue around the province. Many real estate agents will be challenged to find enough homes for sale to support the continued strong demand for resale housing. Home owners in Saskatchewan are largely happy with their current home and have little incentive to sell. However, the shortage of listings combined with healthy demand will mean rising house prices in 1997, and some home owners will reconsider putting their home on the market. Consequently, the supply of resale homes listed will begin to increase in 1997.

Sales activity, which reached record levels in 1996, will retreat to a still very strong 8,175 sales in 1997. Rising mortgage rates, a softening in the provincial economy, and increased migration to Alberta will moderate the current pace of sales activity later this year. Despite the decline in sales, the Saskatoon and Regina economies will show steady growth in 1997 allowing them to retain their positions as the leaders in resale activity. Over 6,000 sales are expected to come from these two centres combined.

After several years of little or no house price growth, 1997 will be the second straight year of healthy gains in house prices. The 5.0 per cent growth in prices seen in 1996 will be followed by another 3.0 per cent increase in 1997. Consequently, house prices are expected to reach \$79,600 this year. Price growth will be most prevalent in homes popular with first-time home buyers. A shortage of modestly priced homes combined with healthy demand for this type of home will allow for strong price growth in 1997.

Home building to slow

Although home building will slow in 1997, the construction of single family homes will remain strong. Rising inventories of newly completed condominiums in Saskatoon will limit

housing starts. Only when these new condominium units are absorbed will there be another gain in multiple unit construction.

With a continued shortage of homes on the resale market in 1997, home buyers will look to local builders for housing. Homes in rural subdivisions, which take advantage of lower-priced lots and taxes, will remain popular. As many of these subdivisions are close to a city, home buyers are finding that they can combine country living with city convenience.

Rising rents expected

Like the resale market, rental markets around the province will be undersupplied this year. There will be no development of rental stock until rental rates show some significant growth. With no new rental stock to replace older buildings and demand expected to remain steady, the vacancy rate in Regina and Saskatoon will remain below 2.0 per cent in 1997. However, this is good news for property managers. Like last year, they will be able to raise rents. These increases will be the first real growth in rents in several years and will give landlords the finances to deal with maintenance that was deferred when the rental market was oversupplied in the early 1990s. ■

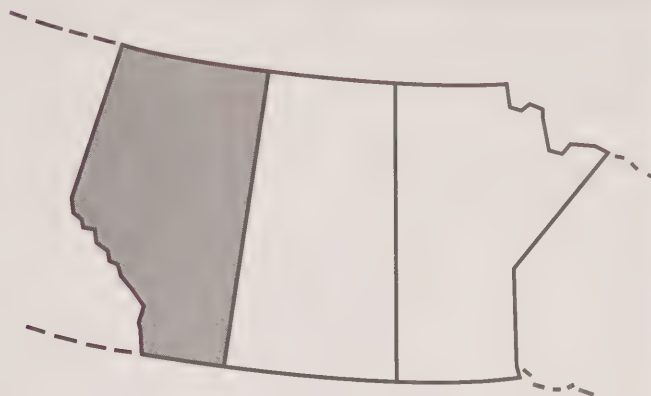
Key Provincial Indicators

| SASKATCHEWAN | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | 1.8 | 1.7 | 1.5 |
| Employment (% Change) | 0.2 | 0.4 | 0.4 |
| Unemployment Rate (%) | 6.6 | 6.5 | 6.3 |
| Housing Starts (Units) | | | |
| Total | 2438 | 2115 | 1990 |
| Singles | 1612 | 1540 | 1415 |
| Multiples | 826 | 575 | 575 |
| MLS Sales (Units) | 8689 | 8175 | 7640 |
| Average MLS Price (Dollars) | 77478 | 79600 | 80000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Alberta

by Laurie Scott and Karla Spilsted



Highlights

- Alberta poised for a surge
- Strong economy and migration fuel demand for housing
- Low inventories of rental, new and existing housing

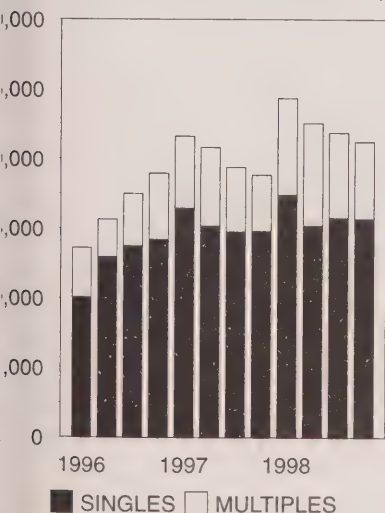
Housing markets spark to life in '96

Alberta housing markets came to life in the second half of the year after a weak performance in 1995 and early 1996. Low mortgage rates ignited home sales, with resale market performance up by 29 per cent. Looking at a large selection and encouraged by prices that have been

Housing Starts

ALBERTA

(Units, seasonally adjusted at annual rate)



SOURCE: CMHC.
7-98 Forecast.

battered over the past two years, home buyers were out with renewed confidence, mainly in lower and mid-priced levels.

New home markets also saw substantial gains, mainly in single-family units, where starts jumped by 28 per cent, to 12,949. Calgary more than recovered. Its 5,862 single starts represented the highest level since 1992. A high number of corporate relocations, most notably CP Rail, coupled with strong in-migration were largely responsible for the jump in residential construction. Edmonton also experienced a strong single-family market, with a 28 per cent increase to 2,944 units. The expansion of Canadian Forces Base Edmonton, the end of the provincial government's restructuring efforts, and substantial reductions in inventories resulted in a much improved housing market. Other centres also saw substantial gains. As an example, Fort McMurray contributed to the provincial total for the first time in a number of years.

In sharp contrast, construction of new multiple-family homes did little last year. Inventories remained high and lower priced singles were more attractive. This was particularly true in Edmonton, where unsold inventories were still above 700 units at the end of the year. As a result, multiple-family starts fell for the third year in a row, to 3,716 units, down 2.0 per cent from 1995.

Rental markets were another good news story in 1996. Again the recovery was highlighted in Calgary,

where vacancies fell to 1.5 per cent, the lowest it has been in seven years. Edmonton also recovered after experiencing very high vacancies in 1995 and 1996. Their rate dropped to 7.6 per cent from 10.2 last year. Other centres are also showing strong rental markets as well. The lowest vacancy rates in the province were in Fort McMurray, in the heart of heavy oil country, and in Brooks, which benefited from the expansion of the Lakeside meat processing plant. Vacancy levels have yet to be translated into rising rents, so while the number of vacancies fell, rents either remained flat or showed modest increases.

Solid employment growth, in-migration and improved consumer confidence boosted housing markets across the province. One in three Canadian jobs created in 1996 were in the province of Alberta. With 40,000 new jobs created, Alberta's unemployment rate fell to 7.1 per cent, well below the national average of 9.7 per cent. The relatively vibrant economy drew significant numbers of people to the province for the first time since 1990.

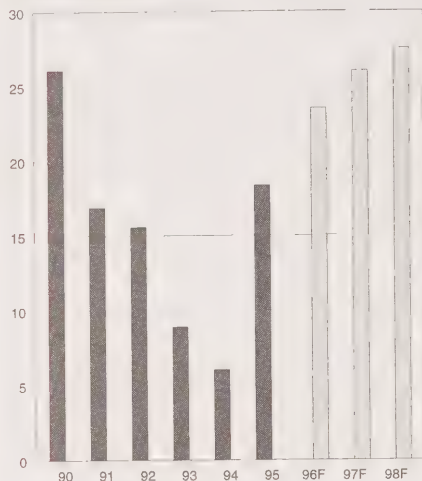
1997-98 Outlook

Alberta economy surging ahead in 97-98

The stage is set for Alberta to outperform the country over the forecast period. Upward momentum is evident in almost every sector of the economy, and although it is led by

Migration rising above 1990 level ALBERTA

(thousands of persons)



SOURCE: Statistics Canada.
CMHC: Forecast.

the petroleum sector, the expansion is broad based. Tax breaks, royalty concessions, and higher oil and natural gas prices have prompted a substantial number of new projects. One estimate currently lists over \$28 billion in total capital spending over the next three to five years alone. These projects are already affecting the engineering and manufacturing sectors, and by spring the construction sector will be poised for a jump in activity.

The energy sector will contribute much to Alberta's powerhouse performance. Oil and gas drilling in 1997 is expected to match the record of 12,695 wells set in 1996. Heavy oil projects will result in long-term job creation as almost \$6 billion of investment occurs over the next five years. These projects will substantially increase employment in the construction sector, especially in the Fort McMurray and Cold Lake areas and in Edmonton, where much of the manufacturing will occur.

The positive outlook is not limited to Alberta's energy sector; a substantial investment in petrochemicals,

forestry, food processing, and manufacturing is planned over the next several years. Red Deer and Edmonton will benefit from \$1.3 billion worth of investment in petrochemicals projects by Union Carbide, Novacor and Dow Chemical. The Diashowa-Marubeni expansion in Peace River and the Grande Alberta Paper project in Grande Prairie will inject over \$2 billion worth of investment in large-scale plants. In food processing, the expansion of Fletchers in Red Deer, Iowa Beef Products in Brooks and a number of smaller companies in both Edmonton and Calgary are going ahead. The development of the \$850 million Broken Hill Properties diamond mine in the NWT will also benefit Alberta. This project is under way, with construction to begin this April.

For the first time in several years, the public sector will contribute to growth. Another large provincial government surplus may stimulate some spending, but the good news is that cuts to programs and services are now largely over. The federal government infrastructure program will also inject additional funding into local municipalities.

Economic growth and capital spending will create significant employment opportunities over the forecast period. Expansion in all sectors of the economy will result in employment growth of over 3.5 per cent in both 1997 and 1998. Alberta's vibrant economy and impressive job creation will attract people from other parts of the country, augmenting international migration. Net migration will total 26,000 in 1997 and 27,500 in 1998. Labour shortages are already evident in engineering and construction trades. Consumer confidence will be supported by job creation and modest upward pressure on wages and salaries.

Pressure building in housing markets

Alberta housing markets will expand with the economy over the next two years. Migration into the province and job creation with major project developments will support higher demand than we have seen in a number of years. Markets will experience strong demand from first-time buyers who are attracted into the market by relatively low mortgage rates and affordable house prices. This will fuel high prices as well, as baby boomers and older age groups will be able to sell easily and move up or down for the first time in several years.

Resale markets are headed to a new peak in activity this year with 40,500 sales. Market strength is already evident, and low mortgage rates combined with the buoyant economy will push up sales into the spring and summer months. Calgary and Edmonton will see strong performance but smaller centres will also contribute to the provincial totals. Rural and smaller centres will also perform above traditional levels. The biggest example of this is Canmore, where housing starts and home prices are rising sharply. Prices will lag market momentum somewhat, increasing by 4.1 per cent this year and 5.3 per cent in 1998. Price growth will be led by the Calgary market, where listings are already low and sales are high.

In new home markets, construction will jump by 20 per cent this year, with increases across the province. In 1997, new home construction in Calgary is expected to surpass the records set in 1996. Demand created by strong economic growth and migration have eroded inventories of all types of housing. Some inventory remains in Edmonton, but low prices and rising demand will also expand new construction activity. As a result, provincial totals for single-family homes will rise by 17 per cent to 15,200 units.

Multiple-family home construction will recover from a two-year slump fueled by demand for condominiums and modest numbers of rental units. Builders will offer a broad range of housing, for both older buyers and younger, cost-conscious consumers. Construction will jump by 29 per cent, from 3,716 last year to 4,800, and again next year to 6,400 units.

Improving rental market conditions will make new rental construction viable. Demand for rental housing will be particularly strong in the areas undergoing significant economic expansion — Fort McMurray, Grande Prairie, Peace River, Cold Lake, and Brooks. Positive migration and substantial job creation will continue to improve Edmonton's rental market. The supply of rental housing in Calgary is

expected to remain tight, pushing up rents and fueling demand for first-time buyer product. Across the province, lower vacancy rates will

fuel rental rate increases in most centres over the forecast period. ■

Key Provincial Indicators

| ALBERTA | 1996 | 1997(F) | 1998(F) |
|-----------------------------|--------|---------|---------|
| Real GDP (%Change) | 3.4 | 4.2 | 4.6 |
| Employment (% Change) | 2.9 | 3.5 | 3.8 |
| Unemployment Rate (%) | 7.0 | 6.5 | 6.0 |
| Housing Starts (Units) | | | |
| Total | 16665 | 20000 | 22300 |
| Singles | 12949 | 15200 | 15900 |
| Multiples | 3716 | 4800 | 6400 |
| MLS Sales (Units) | 37482 | 40500 | 40000 |
| Average MLS Price (Dollars) | 117673 | 122500 | 129000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

RENTAL MARKET REPORT and FASTfax

Rental Market Report and **FASTfax** give you the latest trends in vacancy rates, average rents, turnover rates, rate and rent changes at the sub-market level for buildings with three or more units for more than 100 urban centres. The annual report also analyses the supply of housing on the market and reports on housing starts and completions by tenure. If you want to get ahead of your competition, subscribe to **FASTfax** and receive survey results three to five weeks before the **Rental Market Survey** report is even released.

Other insightful local reports on topics such as condominiums, land supply and retirement homes are available in some markets.

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British Columbia

by Helmut Pastrick

Highlights

- Year-end sales surge
- Moderate economic growth ahead
- Housing outlook depends on mortgage rates

House sales surge

Housing sales surged in the fourth quarter, to post their strongest performance in almost three years. Record low mortgage rates fueled home sales among first time buyers. First Home Loan Insurance (FHLI) activity was at a record high in the

fourth quarter, with over 5,000 loans approved. More condominiums and lower priced existing houses were sold than at any other time in this decade. More than half the units sold in the Vancouver real estate board area were condominiums.

The large increase in sales of lower-priced housing and a drop in sales of expensive houses sharply lowered the average price of units sold in the quarter. The average unit price in B.C. fell to about \$207,000 from almost \$219,000 in the third quarter. According to anecdotal evidence, the Revenue Canada's asset disclosure requirement is keeping some wealthy people from purchasing in Canada.

Market conditions also came into play. The supply of existing housing stock on the market was at a very high level, resulting in weak pricing conditions. The recent significant rise from low sales-to-active listings ratios bodes well for the future.

Unsold inventories of new housing continued to decline. However, there is some mismatch between product and demand, which keeps overall inventory from dropping faster. Nonetheless, lower inventory levels are beginning to spur some new construction, particularly in single-family and row condominium housing.

Single-family housing starts continued to improve in the past quarter. More sales and less inventory have resulted in a gradual uptrend in

construction levels over the past year. However, it has been gradual: there has been a shift to more affordable product and to weak pricing conditions. A similar situation exists for row condominiums.

According to the New House Price Index, new house prices are eroding much more slowly than before. This suggests the price decline is nearing an end. Other indicators of market activity also suggest a turning point in prices.

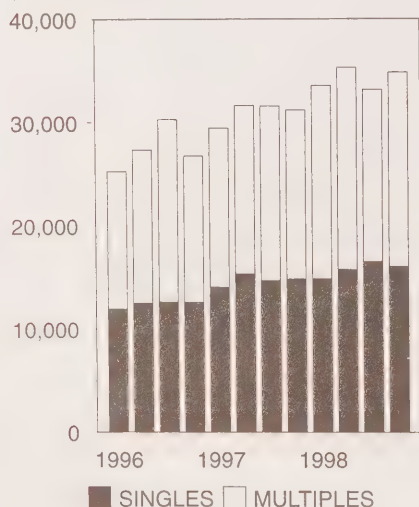
New construction of apartment condominiums fluctuated wildly over the past year. After 1,500 units in the first quarter, performance improved to a yearly high of over 3,400 units in the third quarter and then plunged to 1,700 units in the last quarter.

Rising sales and shrinking inventories of completed and unsold units improved market conditions. The proportion of unsold units diminished but remained high by historical standards. Lower-priced units are moving the best, though the competition from the resale market is very stiff.



Housing Starts BRITISH COLUMBIA

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

1997-98 Outlook

Economy upshifts to moderate growth

The provincial economy is expected to grow moderately in the next two years following sluggish growth in the first half of 1996. The trend is favourable for housing demand, as is

the continuing high inflow of immigrants.

Housing will give the provincial economy a much needed boost. Higher construction levels have a major effect on a number of industries. In addition, when more new houses are sold, housing renovation and retail sales also increase.

B.C.'s resource industries are not faring well. Forestry production has declined, as global inventories adjust. Lower pulp and paper prices have reduced company earnings and profits. A drop-off in production and earnings in the forest industry has led to less investment spending. Preliminary indications are that spending will be down for the second consecutive year in 1996. The outlook calls for a slight rebound in 1997, led by the residential sector. Another stimulus will come from nonresidential investment in office and hotel projects over the next two years.

Merchandise exports are forecast to turn in a mediocre performance in 1997. Demand from the major trading countries will not increase very much over 1996 since those economies will grow moderately and the dollar is expected to appreciate.

A brighter picture emerges in mining and natural gas. Production volumes are up, and gas prices are higher. Various provincial government regulations, however, leave little scope for expansion in mining.

The consumer sector is also encouraging. Interest rates are low and consumer confidence is rising, now at its highest level in two years. More will be spent on durable goods, such as cars, furniture, and housing, though some restraining factors will remain. Low real income growth and job uncertainty still weigh on the minds of consumers.

Tourism continues to be the shining star of the B.C. economy. The relatively low dollar, better access via the expanded air transportation

system, and the region's inherent appeal attract a growing number of visitors. Hotel occupancy rates are very high in the peak season. A major investment project, a new convention-hotel centre, will likely commence in the coming year.

Job growth in B.C. is running at a moderate pace. The year finished on a stronger note and was well above the weak growth rate in the first half. Currently, over half of total job growth is in the service sector. However, about 30 per cent of new jobs are part-time, and the average number of hours worked per week is declining. These are the weak signs in the provincial labour market.

The unemployment rate is forecast to decline slightly, remaining above 8.0 per cent. Wage and income growth will remain around 2.0 per cent. Clearly, the job market is not going to be a large generator of new housing demand over the next couple of years. If housing is to expand, it will have to rely on other factors. Notable among them is population growth. More people now move to the province from abroad than from other provinces, and this trend is expected to continue. The net flow between B.C. and Alberta has turned in favour of Alberta, and the B.C.-Ontario net flow is declining. Overall, population growth should remain over a robust 2.0 annual rate.

Housing outlook brighter, but depends mostly on rates

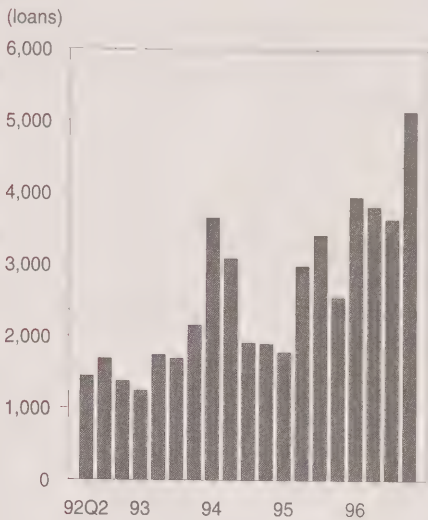
B.C.'s housing market recovery will continue to gain momentum. Prices will very likely turn the corner in 1997 and show modest gains next year. Housing sales have been picking up gradually for the past year and a half, and gains in new construction are going to be more widespread over the next two years.

However, this cycle is weaker than average and is not expected to strengthen soon. The key demand factors are not all contributing to the

Record high first time buyer activity

BRITISH COLUMBIA

First Home Loan Insurance Approvals, Quarterly



SOURCE: CMHC.

same degree: low interest rates are currently a stimulus to housing, but employment and income are minor factors. Even migration is not contributing as much to housing demand as it did early in the 1990s because, over the medium term, immigrants are less likely to form households than interprovincial migrants.

Housing sales volume is going to decrease over the coming months as mid- to long-term rates rise. First-time buyers will be most affected, since they choose longer-term mortgages more often than repeat buyers, especially if they buy homes with the assistance of FHLI. Sales volume will rise when rates drop once again.

The price cycle is set for a turning point in this year. Technically, the compositional effect on the average price will run its course this year, so that price trends between 1996 and 1998 will reflect home price appreciation. In addition, the prices of lower-cost housing will stabilize.

A number of factors are affecting prices. Most significant are moderate

demand and the increasing number of lower-priced homes now becoming available in a crowded market. Housing prices have been at record levels for years, and this new pattern is inducing many home owners to list their properties. Competitive conditions should continue for some time.

Record high levels of new unsold housing have also held prices down, but less so as inventory is reduced. Current levels are off about one third from the peak. Sell-off of inventory will last for most of this year, particularly in apartment condominiums.

Construction, which has been trailing sales by longer than usual in this cycle, is finally on the upswing. Single-family and row condominium starts are forecast to expand further this year and next. The middle quarters of 1997 will likely be the strongest, as recent sales have been strong. More inexpensive housing is expected.

With high inventory levels, there will probably be only a small increase in apartment condominium starts this year. Production is forecast to expand more robustly in 1998.

Overall, housing starts are forecast to rise to 31,100 units this year and to 34,200 units next year. Housing sales will show a gain of 6.0 per cent in 1997 and will climb to about 80,000 units in 1998. The average selling price is expected to fall this year, but to rise in 1998. ■

Housing price decline to end BRITISH COLUMBIA

B.C. average MLS residential price,
quarterly



SOURCE: The Canadian Real Estate Association
1997-98 CMHC forecast.

Key Provincial Indicators

| BRITISH COLUMBIA | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 1.7 | 2.8 | 2.5 |
| Employment (% Change) | 2.5 | 2.4 | 2.0 |
| Unemployment Rate (%) | 8.9 | 8.7 | 8.3 |
| Housing Starts (Units) | | | |
| Total | 27641 | 31100 | 34200 |
| Singles | 12447 | 14800 | 15900 |
| Multiples | 15194 | 16300 | 18300 |
| MLS Sales (Units) | 72182 | 76500 | 80000 |
| Average MLS Price (Dollars) | 218687 | 207000 | 212000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Housing Starts

Total (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|--------|--------|--------|--------|--------|---------|---------|
| NFLD | 2271 | 2405 | 2243 | 1712 | 2034 | 1900 | 2100 |
| % | -19.9 | 5.9 | -6.7 | -23.7 | 18.8 | -6.6 | 10.5 |
| PEI | 644 | 645 | 669 | 422 | 554 | 485 | 515 |
| % | 16.5 | 0.2 | 3.7 | -36.9 | 31.3 | -12.5 | 6.2 |
| NS | 4673 | 4282 | 4748 | 4168 | 4059 | 4100 | 3900 |
| % | -9.7 | -8.4 | 10.9 | -12.2 | -2.6 | 1.0 | -4.9 |
| NB | 3310 | 3693 | 3203 | 2300 | 2722 | 3000 | 3100 |
| % | 15.3 | 11.6 | -13.3 | -28.2 | 18.3 | 10.2 | 3.3 |
| QUE | 38228 | 34015 | 34154 | 21885 | 23220 | 26000 | 26900 |
| % | -14.4 | -11.0 | 0.4 | -35.9 | 6.1 | 12.0 | 3.5 |
| ONT | 55772 | 45140 | 46645 | 35818 | 43062 | 50500 | 53000 |
| % | 5.6 | -19.1 | 3.3 | -23.2 | 20.2 | 17.3 | 5.0 |
| MAN | 2310 | 2425 | 3197 | 1963 | 2318 | 2550 | 2700 |
| % | 18.5 | 5.0 | 31.8 | -38.6 | 18.1 | 10.0 | 5.9 |
| SASK | 1869 | 1880 | 2098 | 1702 | 2438 | 2115 | 1990 |
| % | 87.3 | 0.6 | 11.6 | -18.9 | 43.2 | -13.2 | -5.9 |
| ALTA | 18573 | 18151 | 17692 | 13906 | 16665 | 20000 | 22300 |
| % | 48.7 | -2.3 | -2.5 | -21.4 | 19.8 | 20.0 | 11.5 |
| BC | 40621 | 42807 | 39408 | 27057 | 27641 | 31100 | 34200 |
| % | 27.4 | 5.4 | -7.9 | -31.3 | 2.2 | 12.5 | 10.0 |
| CAN | 168271 | 155443 | 154057 | 110933 | 124713 | *141800 | *150700 |
| % | 7.7 | -7.6 | -0.9 | -28.0 | 12.4 | 13.7 | 6.3 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 1611 | 1559 | 1455 | 1165 | 1395 | 1250 | 1425 |
| % | -24.5 | -3.2 | -6.7 | -19.9 | 19.7 | -10.4 | 14.0 |
| PEI | 421 | 460 | 454 | 364 | 430 | 415 | 425 |
| % | 12.0 | 9.3 | -1.3 | -19.8 | 18.1 | -3.5 | 2.4 |
| NS | 3232 | 3126 | 3358 | 3040 | 3278 | 3100 | 3000 |
| % | 24.1 | -3.3 | 7.4 | -9.5 | 7.8 | -5.4 | -3.2 |
| NB | 2391 | 2535 | 2547 | 1722 | 2173 | 2350 | 2600 |
| % | 11.0 | 6.0 | 0.5 | -32.4 | 26.2 | 8.1 | 10.6 |
| QUE | 18564 | 17136 | 18414 | 13428 | 14818 | 16600 | 17400 |
| % | -17.6 | -7.7 | 7.5 | -27.1 | 10.4 | 12.0 | 4.8 |
| ONT | 27868 | 26240 | 30036 | 20124 | 27019 | 32000 | 34000 |
| % | 6.0 | -5.8 | 14.5 | -33.0 | 34.3 | 18.4 | 6.3 |
| MAN | 1683 | 1874 | 2441 | 1564 | 1875 | 2050 | 2150 |
| % | 5.9 | 11.3 | 30.3 | -35.9 | 19.9 | 9.3 | 4.9 |
| SASK | 1484 | 1342 | 1542 | 1341 | 1612 | 1540 | 1415 |
| % | 91.5 | -9.6 | 14.9 | -13.0 | 20.2 | -4.5 | -8.1 |
| ALTA | 14125 | 13040 | 12671 | 10096 | 12949 | 15200 | 15900 |
| % | 44.5 | -7.7 | -2.8 | -20.3 | 28.3 | 17.4 | 4.6 |
| BC | 21472 | 17787 | 16591 | 11581 | 12447 | 14800 | 15900 |
| % | 17.1 | -17.2 | -6.7 | -30.2 | 7.5 | 18.9 | 7.4 |
| CAN | 92851 | 85099 | 89509 | 64425 | 77996 | *89300 | *94200 |
| % | 7.3 | -8.3 | 5.2 | -28.0 | 21.1 | 14.5 | 5.5 |

Multiples (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 660 | 846 | 788 | 547 | 639 | 650 | 675 |
| % | -5.8 | 28.2 | -6.9 | -30.6 | 16.8 | 1.7 | 3.8 |
| PEI | 223 | 185 | 215 | 58 | 124 | 70 | 90 |
| % | 26.0 | -17.0 | 16.2 | -73.0 | 113.8 | -43.5 | 28.6 |
| NS | 1441 | 1156 | 1390 | 1128 | 781 | 1000 | 900 |
| % | -43.9 | -19.8 | 20.2 | -18.8 | -30.8 | 28.0 | -10.0 |
| NB | 919 | 1158 | 656 | 578 | 549 | 650 | 500 |
| % | 28.0 | 26.0 | -43.4 | -11.9 | -5.0 | 18.4 | -23.1 |
| QUE | 19664 | 16879 | 15740 | 8457 | 8402 | 9400 | 9500 |
| % | -11.1 | -14.2 | -6.7 | -46.3 | -0.7 | 11.9 | 1.1 |
| ONT | 27904 | 18900 | 16609 | 15694 | 16043 | 18500 | 19000 |
| % | 5.3 | -32.3 | -12.1 | -5.5 | 2.2 | 15.3 | 2.7 |
| MAN | 627 | 551 | 756 | 399 | 443 | 500 | 550 |
| % | 73.7 | -12.1 | 37.2 | -47.2 | 11.0 | 12.9 | 10.0 |
| SASK | 385 | 538 | 556 | 361 | 826 | 575 | 575 |
| % | 72.6 | 39.7 | 3.3 | -35.1 | 128.8 | -30.4 | 0.0 |
| ALTA | 4448 | 5111 | 5021 | 3810 | 3716 | 4800 | 6400 |
| % | 63.9 | 14.9 | -1.8 | -24.1 | -2.5 | 29.2 | 33.3 |
| BC | 19149 | 25020 | 22817 | 15476 | 15194 | 16300 | 18300 |
| % | 41.4 | 30.7 | -8.8 | -32.2 | -1.8 | 7.3 | 12.3 |
| CAN | 75420 | 70344 | 64548 | 46508 | 46717 | *52400 | *56500 |
| % | 8.3 | -6.7 | -8.2 | -27.9 | 0.4 | 12.2 | 7.8 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

| | | Centres 10,000 Population and Over | | | | | Other Areas | All Other Areas |
|------|------|------------------------------------|----------|-----------------|-------|--------|------------------|-----------------|
| | | Rental/Co-op Private | Assisted | Total Rental | Condo | Other* | Total 10,000+ | |
| NFLD | | | | | | | | |
| | 1996 | 52 | 0 | 52 | 30 | 476 | 558 | 639 |
| | 1997 | 40 | 0 | 40 | 50 | 460 | 550 | 650 |
| | 1998 | 50 | 0 | 50 | 50 | 475 | 575 | 675 |
| PEI | | | | | | | | |
| | 1996 | 92 | 0 | 92 | 0 | 0 | 92 | 124 |
| | 1997 | 50 | 0 | 50 | 0 | 0 | 50 | 70 |
| | 1998 | 70 | 0 | 70 | 0 | 0 | 70 | 90 |
| NS | | | | | | | | |
| | 1996 | 268 | 0 | 268 | 0 | 400 | 668 | 781 |
| | 1997 | 500 | 0 | 500 | 60 | 330 | 890 | 1000 |
| | 1998 | 400 | 0 | 400 | 0 | 380 | 780 | 900 |
| NB | | | | | | | | |
| | 1996 | 303 | 0 | 303 | 14 | 177 | 494 | 549 |
| | 1997 | 390 | 0 | 390 | 0 | 210 | 600 | 650 |
| | 1998 | 250 | 0 | 250 | 0 | 185 | 435 | 500 |
| QUE | | | | | | | | |
| | 1996 | 2746 | 0 | 2746 | 1929 | 3214 | 7889 | 8402 |
| | 1997 | 3000 | 0 | 3000 | 2100 | 3700 | 8800 | 9400 |
| | 1998 | 3000 | 0 | 3000 | 2300 | 3500 | 8800 | 9500 |
| ONT | | | | | | | | |
| | 1996 | 931 | 794 | 1725 | 6034 | 8101 | 15860 | 16043 |
| | 1997 | 1550 | 0 | 1550 | 6550 | 9750 | 17850 | 18500 |
| | 1998 | 2800 | 0 | 2800 | 6500 | 8600 | 17900 | 19000 |
| MAN | | | | | | | | |
| | 1996 | 45 | 0 | 45 | 252 | 0 | 297 | 443 |
| | 1997 | 75 | 0 | 75 | 275 | 0 | 350 | 500 |
| | 1998 | 100 | 0 | 100 | 300 | 0 | 400 | 550 |
| SASK | | | | | | | | |
| | 1996 | 43 | 0 | 43 | 583 | 100 | 726 | 826 |
| | 1997 | 20 | 0 | 20 | 355 | 100 | 475 | 575 |
| | 1998 | 50 | 0 | 50 | 350 | 100 | 500 | 575 |
| ALTA | | | | | | | | |
| | 1996 | 177 | 0 | 177 | 1909 | 407 | 2493 | 3716 |
| | 1997 | 400 | 0 | 400 | 2500 | 500 | 3400 | 4800 |
| | 1998 | 800 | 0 | 800 | 3200 | 800 | 4800 | 6400 |
| BC | | | | | | | | |
| | 1996 | 1250 | 258 | 1508 | 11973 | 953 | 14434 | 15194 |
| | 1997 | 900 | 250 | 1150 | 13250 | 1100 | 15500 | 16300 |
| | 1998 | 800 | 250 | 1050 | 14950 | 1300 | 17300 | 18300 |
| CAN | | | | | | | | |
| | 1996 | 5907 | 1052 | 6959 | 24009 | 13828 | 43511 | 46717 |
| | 1997 | 6925 | 250 | 7175 | 26740 | 16150 | 48465 | **52400 |
| | 1998 | 8320 | 250 | 8570 | 28850 | 15340 | 51560 | **56500 |

SOURCE: CMHC.

1996 Actual, 1997-98 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

Housing Starts

Total New House Price Index* (annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|-------------------------|------|------|------|------|------|---------|---------|
| ST. JOHN'S | 0.8 | 0.1 | 0.4 | 0.1 | -1.1 | 1.5 | 0.5 |
| HALIFAX | 1.1 | 3.0 | 2.8 | 2.9 | 0.8 | 4.5 | 3.0 |
| SAINT JOHN | 0.9 | -0.1 | 0.1 | -0.1 | -1.0 | -0.0 | 0.0 |
| QUÉBEC CITY | 0.8 | -0.3 | -0.5 | 0.8 | -1.4 | 0.0 | 0.0 |
| MONTRÉAL | 0.1 | 0.8 | 0.6 | 0.8 | -0.2 | 1.0 | 1.5 |
| OTTAWA | 0.1 | -0.6 | 0.2 | -1.8 | -1.5 | 0.8 | 1.3 |
| TORONTO | -4.4 | -2.4 | -0.2 | 0.7 | -1.3 | 1.5 | 0.7 |
| HAMILTON | -3.6 | -2.6 | -0.3 | -1.1 | -0.8 | 1.8 | 0.8 |
| ST. CATHARINES | -2.4 | -3.2 | -4.0 | -0.8 | 1.0 | 1.5 | 0.3 |
| KITCHENER | -3.0 | 0.8 | -2.6 | -0.7 | -0.2 | 0.8 | 1.0 |
| LONDON | 0.2 | -0.1 | 0.2 | -2.7 | -1.1 | 0.7 | 1.2 |
| WINDSOR | -0.1 | -0.5 | 0.1 | 1.1 | 0.4 | 2.4 | 0.4 |
| SUDBURY- THUNDER BAY | -0.5 | 1.9 | 1.4 | 0.2 | -0.3 | 0.5 | 0.7 |
| WINNIPEG | -0.1 | 3.5 | 3.4 | 1.5 | 0.9 | 1.5 | 1.5 |
| REGINA | 4.6 | 5.5 | 3.9 | 3.1 | 1.6 | 2.0 | 2.0 |
| SASKATOON | 0.5 | 3.4 | 1.5 | 0.9 | 1.8 | 2.5 | 2.5 |
| CALGARY | 0.6 | 3.1 | 2.4 | 0.8 | 1.0 | 9.2 | 6.5 |
| EDMONTON | 0.9 | 3.5 | 0.9 | -1.3 | -0.8 | 2.1 | 2.7 |
| VANCOUVER | 8.8 | 7.7 | -0.6 | -5.2 | -6.1 | 1.0 | 2.0 |
| VICTORIA | 4.9 | 3.0 | -0.9 | -8.6 | -7.1 | 1.5 | 3.2 |
| CANADA | 0.0 | 1.2 | 0.1 | -1.2 | -2.0 | 1.5 | 3.2 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1829 | 1867 | 1873 | 1655 | 2005 | 2025 | 2150 |
| % | -3.3 | 2.1 | 0.3 | -11.6 | 21.1 | 1.0 | 6.2 |
| PEI | 604 | 654 | 599 | 476 | 750 | 625 | 600 |
| % | -20.9 | 8.3 | -8.4 | -20.5 | 57.6 | -16.7 | -4.0 |
| NS | 6958 | 7180 | 7140 | 7019 | 8372 | 7500 | 7000 |
| % | 19.7 | 3.2 | -0.6 | -1.7 | 19.3 | -10.4 | -6.7 |
| NB | 3550 | 3483 | 3339 | 3496 | 4023 | 4150 | 4250 |
| % | 8.9 | -1.9 | -4.1 | 4.7 | 15.1 | 3.2 | 2.4 |
| QUE | 31946 | 31875 | 33575 | 29824 | 37863 | 39000 | 40000 |
| % | 14.1 | -0.2 | 5.3 | -11.2 | 27.0 | 3.0 | 2.6 |
| ONT | 115260 | 107575 | 116005 | 105789 | 138859 | 144000 | 142000 |
| % | 9.0 | -6.7 | 7.8 | -8.8 | 31.3 | 3.7 | -1.4 |
| MAN | 11383 | 10546 | 10825 | 9749 | 10965 | 11050 | 10600 |
| % | 19.6 | -7.4 | 2.6 | -9.9 | 12.5 | 0.8 | -4.1 |
| SASK | 7829 | 7375 | 7459 | 7349 | 8689 | 8175 | 7640 |
| % | 20.4 | -5.8 | 1.1 | -1.5 | 18.2 | -5.9 | -6.5 |
| ALTA | 38545 | 37024 | 32512 | 29098 | 37482 | 40500 | 40000 |
| % | 12.2 | -3.9 | -12.2 | -10.5 | 28.8 | 8.1 | -1.2 |
| BC | 93564 | 80919 | 75270 | 58082 | 72182 | 76500 | 80000 |
| % | 10.7 | -13.5 | -7.0 | -22.8 | 24.3 | 6.0 | 4.6 |
| CAN** | 311468 | 288498 | 288597 | 252537 | 321190 | *333500 | *334200 |
| % | 11.1 | -7.4 | 0.0 | -12.5 | 27.2 | 3.8 | 0.2 |

Average Residential Price (dollars and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 92137 | 91243 | 91697 | 89525 | 93661 | 93500 | 94000 |
| % | 1.4 | -1.0 | 0.5 | -2.4 | 4.6 | -0.2 | 0.5 |
| PEI | 75570 | 72422 | 78753 | 73803 | 83922 | 80000 | 78500 |
| % | 6.4 | -4.2 | 8.7 | -6.3 | 13.7 | -4.7 | -1.9 |
| NS | 87685 | 88965 | 91109 | 89788 | 93444 | 96300 | 98300 |
| % | 1.4 | 1.5 | 2.4 | -1.4 | 4.1 | 3.1 | 2.1 |
| NB | 82478 | 84951 | 84149 | 83993 | 84198 | 85600 | 86500 |
| % | 2.0 | 3.0 | -0.9 | -0.2 | 0.2 | 1.7 | 1.1 |
| QUE | 102311 | 102447 | 102242 | 98837 | 98980 | 102000 | 103000 |
| % | -0.5 | 0.1 | -0.2 | -3.3 | 0.1 | 3.1 | 1.0 |
| ONT | 161364 | 156403 | 160033 | 154536 | 155576 | 159000 | 162500 |
| % | -5.7 | -3.1 | 2.3 | -3.4 | 0.7 | 2.2 | 2.2 |
| MAN | 80686 | 81748 | 83761 | 81897 | 85318 | 87000 | 88000 |
| % | 0.3 | 1.3 | 2.5 | -2.2 | 4.2 | 2.0 | 1.1 |
| SASK | 68406 | 70698 | 72738 | 73796 | 77478 | 79600 | 80000 |
| % | 1.0 | 3.4 | 2.9 | 1.5 | 5.0 | 2.7 | 0.5 |
| ALTA | 113558 | 117085 | 117336 | 114772 | 117673 | 122500 | 129000 |
| % | 1.9 | 3.1 | 0.2 | -2.2 | 2.5 | 4.1 | 5.3 |
| BC | 189999 | 211992 | 229514 | 221860 | 218687 | 207000 | 212000 |
| % | 12.9 | 11.6 | 8.3 | -3.3 | -1.4 | -5.3 | 2.4 |
| CAN** | 149590 | 152914 | 158309 | 150352 | 151086 | *151700 | *156100 |
| % | 1.8 | 2.2 | 3.5 | -5.0 | 0.5 | 0.4 | 2.9 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

| | *Number of Units | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|----------------------------|---------------------|------|------|------|------|---------|---------|
| CALGARY | 54576 | 5.9 | 5.1 | 3.6 | 1.5 | 1.0 | 1.0 |
| CHICOUTIMI- JONQUIÈRE | 8213 | 6.3 | 6.3 | 6.0 | 5.4 | 5.3 | 5.1 |
| EDMONTON | 74449 | 6.5 | 8.9 | 10.2 | 7.4 | 5.5 | 4.5 |
| HALIFAX | 32946 | 6.3 | 7.2 | 7.7 | 8.6 | 8.2 | 7.5 |
| HAMILTON | 46356 | 2.7 | 2.4 | 2.0 | 2.4 | 2.0 | 1.8 |
| KITCHENER | 29550 | 4.3 | 2.8 | 2.2 | 2.3 | 2.0 | 1.8 |
| LONDON | 42944 | 3.8 | 4.1 | 4.3 | 5.9 | 6.0 | 5.1 |
| MONTREAL | 453206 | 7.7 | 6.8 | 6.2 | 5.7 | 5.4 | 5.0 |
| OSHAWA | 12448 | 4.6 | 3.4 | 2.7 | 4.1 | 3.8 | 3.5 |
| OTTAWA | 69811 | 1.8 | 2.6 | 3.8 | 4.9 | 4.0 | 3.2 |
| HULL | 18586 | 4.5 | 6.6 | 8.3 | 7.7 | 7.0 | 6.5 |
| QUÉBEC CITY | 72462 | 6.0 | 6.9 | 6.0 | 6.5 | 6.5 | 6.0 |
| REGINA | 12929 | 3.6 | 3.2 | 2.1 | 1.9 | 1.5 | 1.7 |
| ST. CATHARINES- NIAGARA | 17724 | 4.9 | 5.8 | 5.2 | 5.5 | 5.5 | 5.2 |
| SAINT JOHN | 7646 | 6.3 | 8.0 | 8.6 | 9.0 | 9.1 | 8.8 |
| ST. JOHN'S | 4964 | 8.8 | 7.1 | 10.8 | 15.9 | 15.8 | 13.0 |
| SASKATOON | 18721 | 2.7 | 1.8 | 1.0 | 0.7 | 1.0 | 2.0 |
| SHERBROOKE | 23541 | 7.6 | 8.0 | 6.2 | 6.6 | 7.0 | 6.4 |
| SUDBURY | 11948 | 3.8 | 4.3 | 6.0 | 6.8 | 6.5 | 6.0 |
| THUNDER BAY | 5493 | 2.7 | 4.1 | 6.2 | 5.5 | 5.6 | 5.6 |
| TORONTO | 305889 | 2.0 | 1.2 | 0.8 | 1.2 | 1.6 | 1.4 |
| TROIS-RIVIÈRES | 16114 | 6.5 | 7.4 | 7.2 | 8.0 | 8.2 | 8.0 |
| VANCOUVER | 110600 | 1.1 | 0.8 | 1.2 | 1.1 | 1.3 | 1.6 |
| VICTORIA | 25222 | 1.8 | 1.9 | 3.3 | 4.1 | 3.5 | 3.2 |
| WINDSOR | 15332 | 2.7 | 1.6 | 1.8 | 2.8 | 3.0 | 2.7 |
| WINNIPEG | 55964 | 5.9 | 5.6 | 5.4 | 6.0 | 5.8 | 5.4 |
| CANADA** | 1547634 | 4.8 | 4.6 | 4.3 | 4.3 | 4.1 | 3.8 |

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1996.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|------|------|------|------|------|---------|---------|
| NFLD | -5.4 | -0.5 | 1.0 | 1.0 | -3.6 | -2.0 | 2.5 |
| PEI | -1.8 | 0.0 | 3.7 | 5.4 | 1.7 | -5.0 | -1.7 |
| NS | -4.9 | -0.8 | 3.3 | 1.1 | 0.3 | 0.5 | 0.5 |
| NB | 0.0 | 1.0 | 0.7 | 2.3 | -0.3 | 1.6 | 1.9 |
| QUE | -3.3 | 0.4 | 2.5 | 1.5 | 0.3 | 1.6 | 1.8 |
| ONT | -4.3 | 1.8 | 1.4 | 1.4 | 1.5 | 2.1 | 2.2 |
| MAN | -3.9 | 2.2 | 0.4 | 2.0 | 1.0 | 1.5 | 1.5 |
| SASK | -1.7 | 1.1 | 0.4 | 0.7 | 0.2 | 0.4 | 0.4 |
| ALTA | 0.6 | 0.9 | 3.2 | 2.7 | 2.9 | 3.5 | 3.8 |
| BC | 3.7 | 2.9 | 4.0 | 1.7 | 2.5 | 2.4 | 2.2 |
| CAN | -2.5 | 1.4 | 2.1 | 1.6 | 1.3 | 1.9 | 2.1 |

Unemployment Rate (per cent)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|------|------|------|------|------|---------|---------|
| NFLD | 20.2 | 20.1 | 20.4 | 18.3 | 19.4 | 20.0 | 18.7 |
| PEI | 17.9 | 18.1 | 17.2 | 14.7 | 14.5 | 16.2 | 16.4 |
| NS | 13.1 | 14.6 | 13.3 | 12.1 | 12.6 | 12.6 | 12.4 |
| NB | 12.8 | 12.5 | 12.5 | 11.5 | 11.7 | 11.2 | 10.9 |
| QUE | 12.8 | 13.2 | 12.2 | 11.3 | 11.8 | 11.5 | 11.4 |
| ONT | 10.9 | 10.6 | 9.6 | 8.7 | 9.1 | 8.9 | 8.8 |
| MAN | 9.7 | 9.3 | 9.2 | 7.5 | 7.5 | 7.1 | 6.7 |
| SASK | 8.2 | 8.0 | 7.0 | 6.9 | 6.6 | 6.5 | 6.3 |
| ALTA | 9.5 | 9.7 | 8.6 | 7.8 | 7.0 | 6.5 | 6.0 |
| BC | 10.5 | 9.7 | 9.4 | 9.0 | 8.9 | 8.7 | 8.3 |
| CAN | 11.3 | 11.2 | 10.4 | 9.5 | 9.7 | 9.5 | 9.2 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

| | 1992 | 1993 | 1994 | 1995 | 1996(E) | 1997(F) | 1998(F) |
|-------|--------|--------|--------|--------|---------|---------|---------|
| NFLD | -910 | -3465 | -6417 | -6027 | -8500 | -6500 | -4500 |
| PEI | 605 | 778 | 740 | 803 | 575 | 420 | 475 |
| NS | 2479 | 569 | -249 | 2522 | 2300 | 1700 | 2400 |
| NB | -436 | -393 | -745 | -195 | -350 | 100 | 325 |
| QUE | 32866 | 30165 | 5401 | 18450 | 15000 | 21000 | 25000 |
| ONT | 98211 | 76221 | 62939 | 114315 | 98500 | 101500 | 104000 |
| MAN | -1657 | -1319 | -1635 | 945 | 1500 | 1250 | 1200 |
| SASK | -4422 | -3104 | -2561 | 167 | 922 | -25 | -300 |
| ALTA | 15570 | 8890 | 6044 | 18342 | 24000 | 26000 | 27500 |
| BC | 78712 | 76251 | 73174 | 77800 | 64650 | 61500 | 58500 |
| CAN** | 221018 | 184593 | 136691 | 227122 | 198597 | 206945 | 214600 |

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
Levels and quarterly percentage change)

| | 95:Q2 | 95:Q3 | 95:Q4 | 96:Q1 | 96:Q2 | 96:Q3 | 96:Q4 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 111.7 | 115.3 | 105.8 | 130.3 | 126.6 | 137.7 | 142.7 |
| % | -10.3 | 3.2 | -8.3 | 23.2 | -2.8 | 8.7 | 3.6 |
| Housing starts, total, thousands | 107.4 | 104.6 | 110.9 | 112.8 | 124.0 | 128.8 | 129.3 |
| % | -15.7 | -2.6 | 6.0 | 1.7 | 9.9 | 3.9 | 0.4 |
| Housing starts, singles, thousands | 62.0 | 61.5 | 66.6 | 69.4 | 78.9 | 79.5 | 79.9 |
| % | -14.7 | -0.8 | 8.3 | 4.2 | 13.7 | 0.8 | 0.5 |
| Housing starts, multiples, thousands | 45.4 | 43.1 | 44.3 | 43.4 | 45.1 | 49.3 | 49.4 |
| % | -17.0 | -5.1 | 2.8 | -2.0 | 3.9 | 9.3 | 0.2 |
| Housing completions, total, thousands | 124.8 | 108.6 | 109.2 | 115.7 | 112.5 | 119.6 | 123.6 |
| % | -7.9 | -12.9 | 0.5 | 6.0 | -2.7 | 6.3 | 3.3 |
| New house price index, 1986=100 | 134.9 | 134.1 | 133.2 | 132.8 | 131.6 | 131.3 | 131.7 |
| % | -0.6 | -0.6 | -0.7 | -0.3 | -0.9 | -0.2 | 0.3 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 254.5 | 292.9 | 261.3 | 289.9 | 298.7 | 302.3 | 385.2 |
| % | 11.8 | 15.1 | -10.0 | 10.0 | 3.0 | 1.2 | 27.4 |
| MLS average resale price, \$C thousands | 149.0 | 151.3 | 149.4 | 148.5 | 152.7 | 151.6 | 149.9 |
| % | -1.3 | 1.5 | -1.3 | -0.6 | 2.9 | -0.8 | -1.1 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 333.8 | 336.2 | 339.4 | 343.4 | 348.1 | 351.4 | 355.1 |
| % | 0.3 | 0.7 | 0.9 | 1.2 | 1.4 | 0.9 | 1.1 |
| Mortgage approvals, \$C billions | 52.2 | 65.3 | 54.5 | 67.0 | 66.8 | 74.2 | .. |
| % | 12.6 | 25.0 | -16.5 | 22.9 | -0.2 | 11.0 | .. |
| 1-year mortgage rate, per cent* | 8.5 | 8.0 | 7.4 | 6.8 | 6.5 | 6.3 | 5.2 |
| 5-year mortgage rate, per cent* | 9.0 | 8.8 | 8.5 | 8.0 | 8.5 | 8.1 | 7.0 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 27.3 | 26.8 | 26.3 | 27.6 | 29.3 | 30.5 | .. |
| % | -4.7 | -1.9 | -1.8 | 5.3 | 6.0 | 4.0 | .. |
| New, \$1986 billions | 12.2 | 11.1 | 11.2 | 11.6 | 12.6 | 13.4 | .. |
| % | -10.5 | -9.3 | 0.7 | 3.7 | 9.0 | 6.1 | .. |
| Alterations, \$1986 billions | 9.6 | 9.4 | 9.2 | 9.6 | 10.1 | 10.5 | .. |
| % | -3.1 | -2.5 | -1.9 | 4.3 | 5.6 | 3.5 | .. |
| Transfer costs, \$1986 billions | 5.4 | 6.3 | 5.9 | 6.5 | 6.5 | 6.6 | .. |
| % | 7.8 | 15.7 | -6.3 | 9.7 | 1.3 | 0.5 | .. |
| Deflator, 1986=100 | 139.2 | 141.1 | 138.7 | 138.4 | 139.3 | 139.8 | .. |
| % | 0.3 | 1.4 | -1.7 | -0.2 | 0.7 | 0.4 | .. |

SOURCE: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

Figures not available.

All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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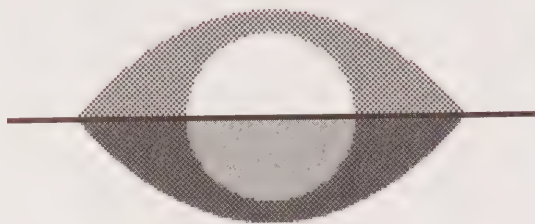
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SECOND QUARTER, 1997**

Forecast prepared April, 1997

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NATIONAL HOUSING OUTLOOK

Low mortgage rates bolstered housing early in 1997

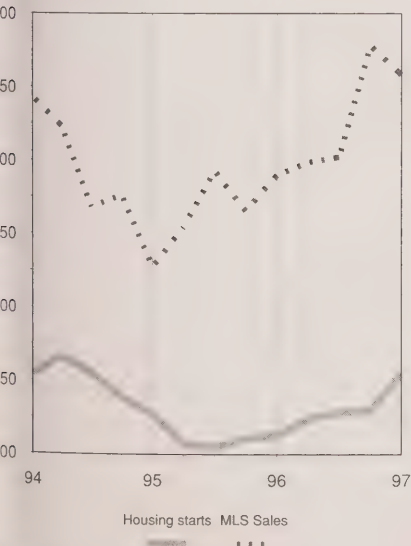
The pace of new home construction reached a three-year high in the first quarter of 1997. A surge in single-detached housing starts and mounting multiple starts lifted the first quarter pace to 155,200 units, seasonally adjusted at an annual rate (SAAR). Starts of single-detached units rose 29.3 per cent over the previous quarter and multiple units rose 5.1 per cent.

Favourable economic and housing market conditions improved the pace of new home building. The single-detached segment benefited most from affordable house prices and mortgage rates near 30-year lows. The multiples segment gained relatively less because of uneven job creation and an already large supply of vacant housing units, new and existing, in some key urban centres.

Starts move up . . .

. . . while resales remain hot
Housing Starts and Residential MLS*
Sales - Canada

(thousands of units, SAAR)



SOURCES: CMHC; Canadian Real Estate Association. Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

The strong resale market of late 1996 continued into the first quarter of this year. The trend in sales volume peaked, however, with rising mortgage rates and hesitant employment gains. A shortage of listings in some key urban centres, such as Calgary and Toronto, also limited sale volumes. The first quarter pace of 356,000 transactions is 8.1 per cent below the fourth quarter 1996 figure. The ratio of sales to new listings improved markedly and average MLS prices rose 0.5 per cent over the same period.

Strengthening prices on the resale market were matched by firmer prices in the new home market. New home prices increased by 0.7 per cent more in the first three months of 1997 than in the last three of 1996, according to the New House Price Index. While prices have turned the corner, these remain below year-ago levels.

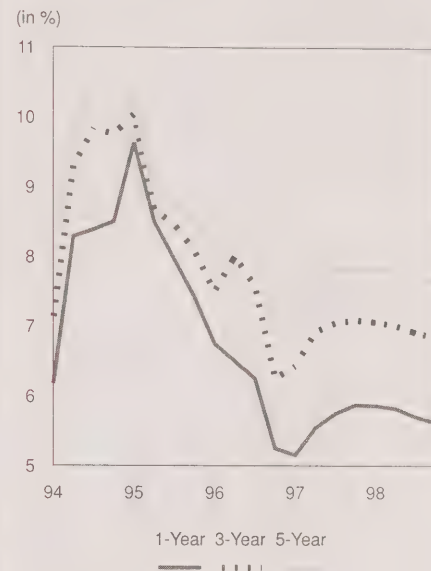
First quarter indicators of future home building activity continued to be promising. On the demand side, employment firmed up, resale volumes remained at high levels, and mortgage carrying costs were still very attractive. On the supply side, pricing finally turned up, and inventories of newly completed and unoccupied single-detached units were low.

1997-98 Outlook

From recovery to expansion

A number of signals in the economy indicate that prospects are set to turn up as business investment strengthens, consumer spending reawakens, and exports remain in high gear. Although cutbacks in the public sector will remain a source of drag, economic growth above the 3 per cent mark in both 1997 and 1998 will still create more than 230,000 new jobs this year and 265,000 next year.

Mortgage rates remain favourable



SOURCE: Bank of Canada; 1997-98 CMHC forecast

The high likelihood of steady growth in economic output at home, combined with a weaker Canadian dollar, will align Canadian interest rates closer to future U.S. rate changes. Interest rates are expected to edge up further in 1997, but to remain low by recent standards. A fall-off in U.S. rates to compensate for reduced economic activity will be matched in Canada next year. Accordingly, one-year mortgage rates, now at 5.40 per cent, are expected to inch up to 5.75-6.00 per cent by year end before declining to 5.50-5.75 per cent in 1998. The five-year rate will be around 7.75-8.00 per cent by year end and will decline to 7.50-7.75 per cent by late 1998.

Housing market still on track

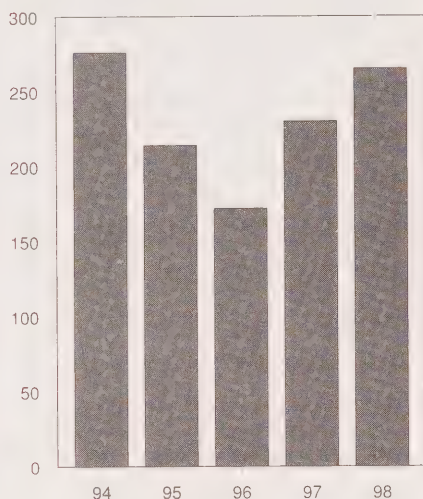
Housing starts are expected to rise to 150,800 units this year and 159,200 in 1998. The single-detached market will account for most of the gains,

but the advance will also include a rebound in multiple unit construction. Recent increases in mortgage rates will tone down the pace of housing starts over the next few months, yet greater job creation in the interim should increase starts by the end of the year.

Job creation on the rise

Job creation — Canada

(thousands of persons)



SOURCE: Statistics Canada.
1997-98 CMHC Forecast.

Several housing market conditions will dampen the magnitude of gains. First is the house pricing environment. With B.C. house prices still declining, and meagre new home price gains in other provinces, builder margins are unlikely to encourage much more house production. Second, high rental vacancy rates will limit new construction of rental properties. Third, conversion of unprofitable rental units will hurt new condominium development in certain urban centres. Finally, several local factors, such as the introduction of the harmonized sales tax, could dampen near term prospects in certain provinces.

The total number of transactions on the existing homes market will be the highest ever, reaching 342,700 in 1997. The hot sales pace early in the year is expected to slow as higher

mortgage rates and house prices kick in. The 1998 total will decline, but by less than 1.0 per cent. The adverse impact of higher average sales prices is expected to more than compensate for a drop in mortgage rates.

Strong demand combined with a reduction in the supply of listings will lead to an increase in average resale house prices this year. Although supply and demand in the existing home market will be closer to balance, there will be seller's markets in some of the stronger urban centers. In 1997, the average price for MLS transactions is forecast to outpace inflation in most provinces, by as much as 6.7 per cent in Ontario. In B.C., continuing market correction and a shift in market activity toward less expensive units will pull the average price down by 3.1 per cent. Price gains will be more widespread in 1998, with the average price increasing close to 2.5 per cent. Price changes on the existing homes market will feed through to the new homes market.

Some of the growth in average resale prices will be the result of modest shifts to more expensive move-up home purchases. Nonetheless, first-time buyers are expected to remain dominant through 1997.

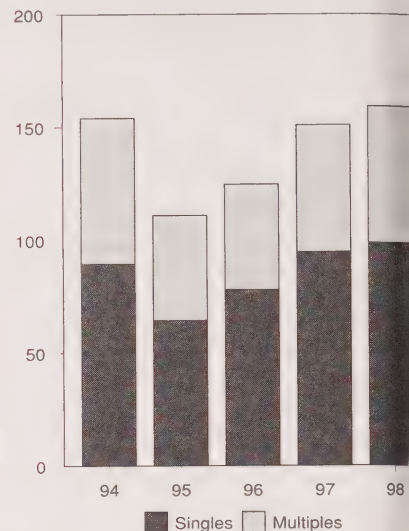
The market for single-detached homes is expected to grow in 1997 and 1998. To a large extent, the increase will reflect spillover from the strong existing homes market, especially where demand will exceed available quality listings. Low mortgage carrying costs and much leaner inventories will further reinforce single-detached construction. Single starts are forecast to rise 21.4 per cent to 94,700 units this year, with a further advance to 98,700 units in 1998.

Multiple starts will increase 20.3 per cent in 1997 and another 7.7 per cent in 1998, but construction will still remain below the 1994 level. Multiple-family home construction will move up as more job creation encourages formation of new households and nudges vacancy rates

Housing starts back above the 150,000 mark

Housing starts by type — Canada

(thousands of units)



SOURCE: CMHC.
1997-98 Forecast.

down. The rental market will remain difficult, however, as many renters move to cost-competitive ownership homes. Condominium and townhome activity will rise accordingly, especially in metropolitan areas where inventories are already tight.

Alberta and Ontario will lead the way

Regionally, Alberta is forecast to enjoy the most significant gain in new construction bolstered by the strength of its resource and manufacturing economy. Ontario will also enjoy a large increase in residential construction, as inventories of unoccupied units remain low and momentum picks up in its economy. Double-digit percentage increases are expected in the construction of single-detached units in those two provinces this year. Construction will rise in British Columbia, although the supply of unoccupied multiple units remains high. In the Quebec market, activity is expected to improve but slow demand will keep construction below the 30,000 mark. ■

Housing Starts: A Longer-Range View

A first: Long-range demand forecasts for housing starts based on household growth, not economics. For 1997-2001: an average of 165-175 thousand units per year.

Housing starts are a key statistic for the housing industry, and accurate forecasts of starts are important for builders, materials suppliers, and community planners. Yet most forecasts which look more than two years ahead are based more on macroeconomic projections than on low demographics and housing markets are likely to affect requirements for new dwellings. This article is based on household growth projections at the provincial level, with an allowance for such factors as demolitions and vacancies.

How many starts?

The first stage in forecasting the long-range demand for housing starts is to estimate the average number of starts which might be required each year. The calculation can be done in four steps.

1. The largest component of demand is household growth. CMHC's newly released *Long Term Housing Outlook*¹ estimates annual average household growth by various categories for five-year periods.²

2. There must also be starts to replace demolished, abandoned or converted housing units. Statistics Canada's database on housing stock suggests that Canada requires about 8,000 units per year to offset these losses. Since the number of multiples demolished roughly equal the number of multiples created via conversion, these 8,000 units can be assumed to be singles.

3. The vacancy rate must also be maintained. While there are local fluctuations due to supply and demand conditions, the overall vacancy rate (including both owned and rented units) doesn't change very much. In recent years, the vacancy rate has been about 1.0 per cent (of the stock) for single units and 3.0 per cent (of the stock) for multiple units. Therefore, an additional 1.0 per cent (of singles built) and 3.0 per cent (of multiples built) must be constructed to maintain vacancy rates in the housing market.

4. Finally, the number of units started does not equal the number completed, and while we are measuring starts, demand is met by

completions. Recent completion rates for Canada have been slightly under 100 per cent for both singles and multiples.

Correspondence between starts and household growth

The second stage is to evaluate how closely annual starts must follow the estimated level of demand. Variations in market factors such as vacancy rates, and the time lag between when units are started and completed, accommodate differences between starts and demand.

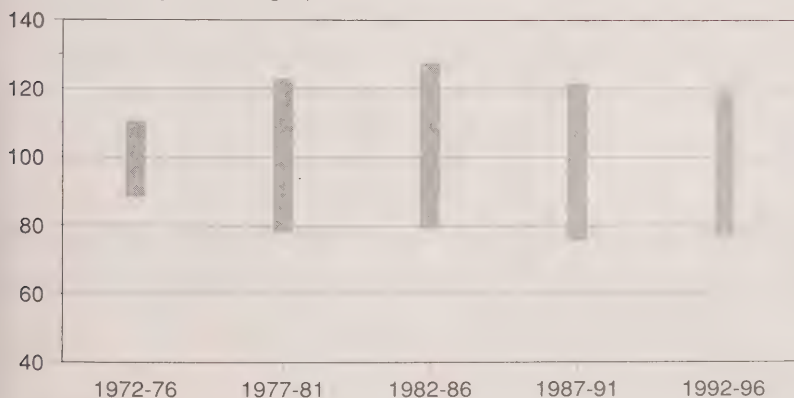
Between 1971 and 1991, starts exceeded household growth by an average of just over 6,300. The gap would have been wider, but vacancy rates declined during much of that period, and existing units could therefore handle more households. However, this trend is unlikely to continue as vacancy rates are now relatively low. A different pattern of vacancy rates could make these historical assumptions less useful for predicting demand.³

Annual variations in starts

The final stage is to relate five-year averages to annual housing starts. Average household growth is projected as annual averages for five-year periods, and the other parameters discussed above are also averages. But if we project starts as an average over a five-year period, how much can annual starts be

Total Starts: Highs and Lows

(as a % of five-year averages)



SOURCE: CMHC

1 The Long Term Housing Outlook: Household Growth in Canada and the Provinces, 1991-2016. CMHC, Ottawa, 1997. This report includes a chapter on the implications of household growth for housing starts.

2 Our starting point is the Western Medium Scenario from that report, which features average annual household growth of 160,800 over the next five years.

3 A decrease of only 0.1 percentage point in the vacancy rate would result in a need for about 11,000 fewer units.

expected to vary from the average? As shown in the diagram, total starts in the high and low years can be as much as 20 per cent above or below the average. (There is more variation in single or multiple starts alone, or in individual provinces.)

Conclusions

Detailed results of the calculations are shown in the table. From the points discussed above, we can draw several conclusions.

- The average number of housing starts in Canada over the five year period 1997-2001 will exceed household growth by a small margin, perhaps in the range of 4,000 to 14,000 units per year.
- In individual years, starts may be as much as 20 per cent above or below the average.
- We can generally expect more variability between provinces and in individual provinces.

This analysis suggests a strong housing market over the next five years. However, the potential 171,600 starts may or may not be reached,

depending on economic conditions. From today's perspective, an average of 165,000 starts per year may be more reasonable. ■

Annual Average Housing Starts —1997-2001 (Projected)

| | Low (-20%) | Average | High (+20%) |
|-----------------------|---------------|---------|----------------|
| Canada | 137,291 | 171,614 | 205,936 |
| Newfoundland | 1,907 | 2,383 | 2,860 |
| Prince Edward Island | 760 | 950 | 1,140 |
| Nova Scotia | 3,683 | 4,604 | 5,525 |
| New Brunswick | 2,859 | 3,574 | 4,288 |
| Quebec | 27,496 | 34,370 | 41,244 |
| Ontario | 50,540 | 63,175 | 75,809 |
| Manitoba | 2,047 | 2,558 | 3,070 |
| Saskatchewan | 1,099 | 1,373 | 1,648 |
| Alberta | 15,839 | 19,798 | 23,758 |
| British Columbia | 30,212 | 37,765 | 45,318 |
| Yukon | 291 | 363 | 436 |
| Northwest Territories | 544 | 679 | 815 |

Source: CMHC

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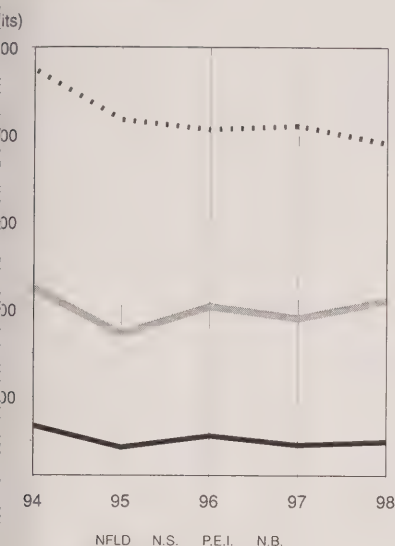
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Canada

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PROVINCIAL HOUSING OUTLOOKS

Housing Starts Atlantic Region



SOURCE: CMHC.
1997-98 Forecast.

Newfoundland

Existing home sales reach new high

Growth in housing demand throughout the province was broad based in early 1997, as new and existing home sales in the first quarter were both higher than a year earlier. The existing homes market was the strongest, with record affordability and an abundant supply of homes for sale resulting in record MLS sales. The higher cost of new housing resulting from the harmonized sales tax (HST) will improve the competitive position of existing homes this year and should provide additional support to the resale market. While the record-setting pace of the first quarter will not be maintained, MLS sales are expected to reach 2,150 units this year, the highest level since 1988. Strong demand combined with a gradual reduction in the supply of quality

listings will lead to a modest increase in average MLS house price to \$94,500 this year.

Residential construction in the first quarter was stimulated by the efforts of builders and buyers to beat the introduction of the HST before it came into effect on April 1. The active resale market also served to stimulate construction activity in urban centres, where housing starts jumped 60 per cent from a year earlier. This strong performance helped to offset reduced activity in rural areas, where housing starts have been trending downwards throughout the 1990s. Increased costs associated with the HST and continued high levels of out-migration from rural areas will dampen new home construction activity for the remainder of the year, with housing starts forecast to decline to 1,900 units.

Newfoundland is expected to lead the country in economic growth in 1998, as Hibernia production comes on stream and development work begins on the Terra Nova and Voisey's Bay projects. Improved economic conditions next year will firm up the labour market and reduce out-migration, setting the stage for a more widespread recovery in housing demand. Housing starts are expected to reach 2,100 units in 1998, while MLS sales will rise further to 2,275 units.

Prince Edward Island

Confederation Bridge will lift housing

The strong resale market of late 1996 continued into the first quarter of this year. Unfortunately, with lower employment levels and slight increases in mortgage rates, that trend has peaked, and a downward shift is forecast. Sales are expected to drop by 10 per cent and still end with the

second best performance so far in this decade.

New construction activity has not been robust during the early part of the year, with urban and rural areas alike extremely slow. This has led to a reduced forecast for single-detached home building in 1997. Benefits from the construction phase of Confederation Bridge will end, and benefits from the structure will begin. As a result, employment can be expected to rebound next year and the housing industry will tag along.

Nova Scotia

Mixed signals for housing this year

Responding to a combination of major pressures, the housing market roared into action in Nova Scotia in the new year and recorded high levels of both starts and resales. However, the huge increases in housing activity only reflected a change in the pattern of seasonal activity and the timing of purchases, and not an overall increase in home buying.

Besides the threat of rising mortgage rates, the PST rebate on construction materials for first-time buyers ended just as the HST began on April 1. These factors motivated first-time buyers to make their purchases early in the year, which is expected to mean less action for the industry later.

The economy is showing some positive signs, but the overall picture is mixed. Small businesses in the Atlantic region are creating jobs, notably in the small but vibrant computer software industry, and positive job creation is expected during the next two years. International in-migration is increasing slowly but steadily. Car sales and retail sales are also showing significant increases. However, housing resale volumes do not indicate a wholesale rise in the

housing market. A lack of first-time buyers for the next year or two will counterbalance first-quarter housing strength, and the forecast stays the same.

A housing boom is unlikely, with layoffs still expected throughout the provincial economy, changes to financial incentives for first-time buyers, and increasing mortgage rates. In addition, prosperity is unevenly distributed across the province. The Halifax Region enjoys one of the lowest unemployment rates in Canada, while the significantly high unemployment levels (27 per cent) in the Cape Breton region are rising. This trend, with some parts of the province performing well and others in crisis, is expected to continue.

New Brunswick

Housing markets stable in 1997

Even the best-performing provincial economy in the Atlantic region will not support an expansion in housing this year. Rising mortgage rates, the new harmonized sales tax (HST), and early-season job losses have set back prospects for improvement this year.

After experiencing upbeat conditions during January and February, builders and realtors had difficulty keeping their order books full in March. Potential home buyers, faced with the double whammy of rising mortgage rates and the added costs of the HST, are thinking twice before committing to the purchase of a house. The day-to-day impact of the HST will not be completely clear until at least summer, and that will be late for the housing market.

After rebounding last year from a record low in 1995, the new homes market will lose some ground this year. The \$1500 HST rebate program announced in March is welcome news for those considering smaller manufactured homes, but it will likely not be enough to maintain momentum in the move-up market. The existing market will experience a slow spring

season, but sales should climb to the 3,800 mark by year end. Both new and existing markets in all centres will post modest improvements in 1998.

Quebec

Housing market to perform well in 1997-98

In the first quarter of 1997, residential construction maintained a good pace of 25,500 units, seasonally adjusted at an annual rate (SAAR). The construction sector increase over the first quarter of 1996 was 22 per cent in single-detached homes and 21 per cent in other housing types (mainly semi-detached, row houses and condominium apartments). Low interest rates at the beginning of the year prompted many to buy a new home.

In contrast to 1996, there was more residential construction in the large urban centres (which were up 53 per cent) than in the smaller rural municipalities (down by 40 per cent). Certain large urban centres, like Montréal, have strengthened as a result of more affordable residential developments and tax rebates for new housing.

The rising trend in existing home sales was maintained, but gains were more moderate than last year when pent-up demand was more of a factor. The number of MLS transactions rose by 22 per cent in the first quarter.

Residential construction will post further increases of 14.1 per cent in 1997 (26,500 units) and 3.8 per cent in 1998 (27,500 units). Although higher interest rates could slow the pace on the new home market, this segment will remain more robust this year as the real estate market continues to respond favourably to an economic environment conducive to job creation. This is especially the case in the greater Montréal metropolitan area, which has been slow to join the economic recovery of the last few years.

Strengthening of the resale market will allow for a rise in home prices, of

Housing Starts Quebec and Ontario



SOURCE: CMHC.
1997-98 Forecast.

3.1 per cent in 1997 and 1.0 per cent in 1998. The decline in rental housing vacancy rates (expected to average 5.7 per cent in October 1997) will also favour transactions involving income-producing properties. Overall, the residential real estate market is expected to again expand gradually.

Ontario

Residential construction shifts into high gear

First quarter 1997 housing starts rose 20 per cent from the fourth quarter of 1996 to their highest level in almost five years. A surge in single home starts and mounting multiple home starts pushed the total to 55,900 SAAR.

Resale markets are active. Mortgage carrying costs on an average-priced resale home edged up only slightly from a low at the end of last year. Resales at the beginning of 1997 did not slow down as much as seasonal factors suggested they should. Prices firmed up.

The fundamentals are in place for continued strong growth. On the supply side, modest inventories of

unsold new homes are unlikely to hamper construction. Jobs, low interest rates and migration will lift housing demand.

Jobs see-sawed for half a year, but will grow faster as economic recovery shifts to economic expansion. Slightly higher, but still relatively low interest rates will provide a monetary boost for businesses and consumers alike. Manufacturing industries, reporting rising orders and order backlogs, expect higher production.

Net migration to Ontario plunged by a third in 1996. Stronger labour market conditions in western Canada pushed many Ontarians to move there. Large numbers of non-permanent residents also left the province. As job markets pick up in 1997 and 1998, fewer people will move away. Immigration from outside Canada will remain high and the resulting net population inflow will be stronger.

The current combination of a moderating resale home supply and increased demand has caused new home prices to rise in most of Ontario's major centres. Price growth sets the stage for stepped up home construction. Total home starts will jump almost 35 per cent to 58,000 in 1997 and to 60,000 in 1998. Single starts will rise the most, especially as consumer confidence improves in the first half of this year. Multiple-family home construction will also move up as jobs encourage uncoupling of households and nudge vacancy rates down. Renters in search of cost-competitive ownership homes will increase demand for townhomes and condominiums.

Prospects of slight mortgage rate hikes will likely spur already strong home buying in the near term. Mortgage carrying costs will remain affordable and, combined with job growth, will lift home resales this year — even higher than last year's record. Lower, but still very high, resale numbers are anticipated in 1998. Resale home prices are anticipated to outpace inflation in 1997. Some of the growth in the average resale home price will be the

result of modest shifts to more expensive move-up home purchases.

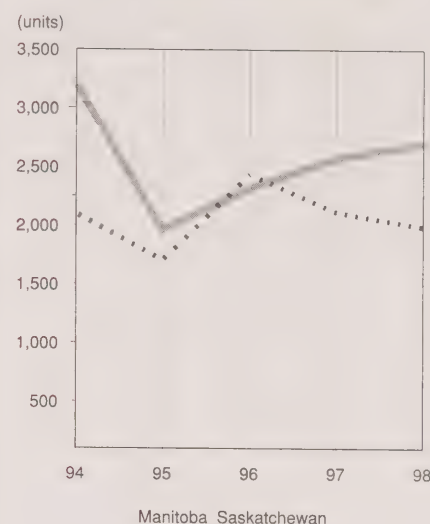
Manitoba

Housing markets remain on upswing in 1997

Manitoba's economy is finally firing on all cylinders, and both new and resale markets are showing improved results. Strong fourth quarter gains in home construction carried into the first quarter in Winnipeg, while poor building conditions resulted in some weakness in rural areas. Resale demand also remained brisk, although average prices dropped because of more sales at the low end of the market. Housing markets in most communities are poised for a better year, although record flooding will delay activity in the Red River valley. Job creation has picked up since the fall, and consumers have boosted their spending on big-ticket items. In 1998, Winnipeg's economy will feel the full effects of non-residential spending associated with the 1999 American games.

For only the second time in this decade, new single-detached housing activity will exceed 2,000 this year. A growing economy and improved consumer optimism will more than offset the recent upswing in mortgage rates, and demand will remain strong this year and next, though more moderately in 1998. Multiple starts will remain on the upswing despite higher apartment vacancies in Winnipeg last year, with most of the action in seniors' life-lease apartments and condominiums targeting the move-down buyer. Resales this year will approach the 1992 record high, but will drop off next year as rising prices and higher mortgage rates reduce affordability.

Housing Starts Manitoba and Saskatchewan



SOURCE: CMHC.
1997-98 Forecast.

Saskatchewan

Economy on track: short supply drives up prices and rents

Growth in mining, oil and gas, and agriculture in 1996 is beginning to pay off in jobs in Saskatchewan's other industrial sectors (utilities, construction, transportation, communication and storage), and steady gains are expected to support our forecast of modest but healthy economic expansion in Saskatchewan this year.

Regionally, the northern half of the province will fare better than the south, bolstered by more diversified agricultural activity, manufacturing and natural resources. Government restraint will continue to limit economic activity in the southern portion of the province. However, there is some optimism that the provincial budget surplus may pay off this year with selected new government spending initiatives.

There is a scarcity of moderately priced resale homes in Saskatchewan and steady demand. Latest figures from the Saskatchewan Real Estate

Board indicate new listings are down almost 13 per cent. Rising average rents are contributing to healthy demand for both resale and new homes. Home buyers, especially those looking for their first home, are finding that the average price of existing homes is rising and they are considering new homes. The average price of an existing home is almost 9.0 per cent higher than at the same time last year.

This is changing the face of the new home market, which was previously dominated by move-up buyers. The average price of a new home was down almost 8.0 per cent in Regina and 3.0 per cent lower in Saskatoon at the end of 1996, reflecting an effort by builders to target home buyers frustrated with the scarcity of existing housing. As expected, new multiple construction has slowed as builders emphasize marketing of their inventory rather than more construction. Urban Saskatchewan multiple construction is down almost 60 per cent from the same time in 1996.

Alberta

Alberta's hot housing market breaks records

Alberta's housing market turned in a record-breaking performance in the first quarter, as residential construction increased 75 per cent over the same period in 1996. The increase was led by Calgary, which accounted for 60 per cent of housing starts in the province. Starts in rural centres also showed strength, posting an 87 per cent increase. The 2.1 per cent increase in MLS volumes resulted in one of the best first quarters on record. Sellers market conditions in some centres are exerting upward pressure on prices in the resale market. A shortage of tradespeople, rising material costs, and low inventories resulted in higher prices.

The housing boom across the province is driven by strong

economic growth and in-migration. Since our last forecast, several large petrochemical, heavy oil, and forestry projects have been announced. Drilling is expected to remain strong over the balance of 1997, surpassing even 1996's banner performance. Over the forecast period, economic growth will create significant employment opportunities, which will attract people from other provinces. In the second half of 1996, close to 10,000 people moved to Alberta from other parts of the country — the strongest six-month period since 1982.

Housing starts will reach 22,000 units in 1997 and 24,600 units in 1998. MLS sales will decline slightly as low inventories discourage some buyers. Vacancy rates in urban centres will decline, and the supply of rental units in rural centres will be extremely tight. With the surge in industrial construction, builders will find it more difficult and more expensive to hire tradespeople.

British Columbia

Home construction on the rise

Now that provincial resale housing markets have established a sustained pattern of revival, it looks as if housing starts too are poised to make a moderate recovery this year. In the face of expected decreases in migration into the province, increased construction activity will be stimulated by a continuation of low mortgage rates and a slow but steady growth in employment. Consumer confidence will also play a major role: consumer willingness to make major purchases has risen to its highest level in 10 years.

A continuous reduction of existing inventory will also help push housing starts higher this year and next, particularly for multiple units. Downtown Vancouver has a number of large projects ready for construction, while other metro areas are showing increased permit activity.

Favourable mortgage rates and increased employment will encourage new single-family construction, primarily in non-urban areas. Single detached starts are expected to rise by 17 per cent this year and a further 7.0 per cent in 1998.

The resale market continues to be robust, with sales expected to top 77,000 units this year and 80,000 next year. Higher sales activity will help eliminate some of the surplus inventory that has plagued most markets in British Columbia for the past two years. Reduced inventories will help stabilize prices that have been declining for the past three years and allow modest price appreciation in 1998. It should be noted, however, that the majority of the price declines over the last year reflected a shift to more modestly priced homes. By making the entry level market extremely attractive, low mortgage rates have altered the mix of properties sold and effectively lowered the average price. ■

**Housing Starts
Alberta and British Columbia**



SOURCE: CMHC.
1997-98 Forecast.

Housing Starts

Total
(units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|--------|--------|--------|--------|--------|---------|---------|
| NFLD | 2271 | 2405 | 2243 | 1712 | 2034 | 1900 | 2100 |
| % | -19.9 | 5.9 | -6.7 | -23.7 | 18.8 | -6.6 | 10.5 |
| PEI | 644 | 645 | 669 | 422 | 554 | 450 | 490 |
| % | 16.5 | 0.2 | 3.7 | -36.9 | 31.3 | -18.8 | 8.9 |
| NS | 4673 | 4282 | 4748 | 4168 | 4059 | 4100 | 3900 |
| % | -9.7 | -8.4 | 10.9 | -12.2 | -2.6 | 1.0 | -4.9 |
| NB | 3310 | 3693 | 3203 | 2300 | 2722 | 2700 | 2900 |
| % | 15.3 | 11.6 | -13.3 | -28.2 | 18.3 | -0.8 | 7.4 |
| QUE | 38228 | 34015 | 34154 | 21885 | 23220 | 26500 | 27500 |
| % | -14.4 | -11.0 | 0.4 | -35.9 | 6.1 | 14.1 | 3.8 |
| ONT | 55772 | 45140 | 46645 | 35818 | 43062 | 58000 | 60000 |
| % | 5.6 | -19.1 | 3.3 | -23.2 | 20.2 | 34.7 | 3.4 |
| MAN | 2310 | 2425 | 3197 | 1963 | 2318 | 2575 | 2700 |
| % | 18.5 | 5.0 | 31.8 | -38.6 | 18.1 | 11.1 | 4.9 |
| SASK | 1869 | 1880 | 2098 | 1702 | 2438 | 2115 | 1990 |
| % | 87.3 | 0.6 | 11.6 | -18.9 | 43.2 | -13.2 | -5.9 |
| ALTA | 18573 | 18151 | 17692 | 13906 | 16665 | 22000 | 24600 |
| % | 48.7 | -2.3 | -2.5 | -21.4 | 19.8 | 32.0 | 11.8 |
| BC | 40621 | 42807 | 39408 | 27057 | 27641 | 30500 | 33000 |
| % | 27.4 | 5.4 | -7.9 | -31.3 | 2.2 | 10.3 | 8.2 |
| CAN | 168271 | 155443 | 154057 | 110933 | 124713 | *150800 | *159200 |
| % | 7.7 | -7.6 | -0.9 | -28.0 | 12.4 | 20.9 | 5.6 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 1611 | 1559 | 1455 | 1165 | 1395 | 1250 | 1425 |
| % | -24.5 | -3.2 | -6.7 | -19.9 | 19.7 | -10.4 | 14.0 |
| PEI | 421 | 460 | 454 | 364 | 430 | 380 | 400 |
| % | 12.0 | 9.3 | -1.3 | -19.8 | 18.1 | -11.6 | 5.3 |
| NS | 3232 | 3126 | 3358 | 3040 | 3278 | 3100 | 3000 |
| % | 24.1 | -3.3 | 7.4 | -9.5 | 7.8 | -5.4 | -3.2 |
| NB | 2391 | 2535 | 2547 | 1722 | 2173 | 2100 | 2300 |
| % | 11.0 | 6.0 | 0.5 | -32.4 | 26.2 | -3.4 | 9.5 |
| QUE | 18564 | 17136 | 18414 | 13428 | 14818 | 16860 | 17600 |
| % | -17.6 | -7.7 | 7.5 | -27.1 | 10.4 | 13.8 | 4.4 |
| ONT | 27868 | 26240 | 30036 | 20124 | 27019 | 37000 | 38000 |
| % | 6.0 | -5.8 | 14.5 | -33.0 | 34.3 | 36.9 | 2.7 |
| MAN | 1683 | 1874 | 2441 | 1564 | 1875 | 2075 | 2150 |
| % | 5.9 | 11.3 | 30.3 | -35.9 | 19.9 | 10.7 | 3.6 |
| SASK | 1484 | 1342 | 1542 | 1341 | 1612 | 1612 | 1415 |
| % | 91.5 | -9.6 | 14.9 | -13.0 | 20.2 | 0.0 | -12.2 |
| ALTA | 14125 | 13040 | 12671 | 10096 | 12949 | 15800 | 16900 |
| % | 44.5 | -7.7 | -2.8 | -20.3 | 28.3 | 22.0 | 7.0 |
| BC | 21472 | 17787 | 16591 | 11581 | 12447 | 14500 | 15500 |
| % | 17.1 | -17.2 | -6.7 | -30.2 | 7.5 | 16.5 | 6.9 |
| CAN | 92851 | 85099 | 89509 | 64425 | 77996 | *94700 | *98700 |
| % | 7.3 | -8.3 | 5.2 | -28.0 | 21.1 | 21.4 | 4.2 |

Multiples (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 660 | 846 | 788 | 547 | 639 | 650 | 675 |
| % | -5.8 | 28.2 | -6.9 | -30.6 | 16.8 | 1.7 | 3.8 |
| PEI | 223 | 185 | 215 | 58 | 124 | 70 | 90 |
| % | 26.0 | -17.0 | 16.2 | -73.0 | 113.8 | -43.5 | 28.6 |
| NS | 1441 | 1156 | 1390 | 1128 | 781 | 1000 | 900 |
| % | -43.9 | -19.8 | 20.2 | -18.8 | -30.8 | 28.0 | -10.0 |
| NB | 919 | 1158 | 656 | 578 | 549 | 600 | 600 |
| % | 28.0 | 26.0 | -43.4 | -11.9 | -5.0 | 9.3 | 0.0 |
| QUE | 19664 | 16879 | 15740 | 8457 | 8402 | 9640 | 9900 |
| % | -11.1 | -14.2 | -6.7 | -46.3 | -0.7 | 14.7 | 2.7 |
| ONT | 27904 | 18900 | 16609 | 15694 | 16043 | 21000 | 22000 |
| % | 5.3 | -32.3 | -12.1 | -5.5 | 2.2 | 30.9 | 4.8 |
| MAN | 627 | 551 | 756 | 399 | 443 | 500 | 550 |
| % | 73.7 | -12.1 | 37.2 | -47.2 | 11.0 | 12.9 | 10.0 |
| SASK | 385 | 538 | 556 | 361 | 826 | 503 | 575 |
| % | 72.6 | 39.7 | 3.3 | -35.1 | 128.8 | -39.1 | 14.3 |
| ALTA | 4448 | 5111 | 5021 | 3810 | 3716 | 6200 | 7700 |
| % | 63.9 | 14.9 | -1.8 | -24.1 | -2.5 | 66.8 | 24.2 |
| BC | 19149 | 25020 | 22817 | 15476 | 15194 | 16000 | 17500 |
| % | 41.4 | 30.7 | -8.8 | -32.2 | -1.8 | 5.3 | 9.4 |
| CAN | 75420 | 70344 | 64548 | 46508 | 46717 | *56200 | *60500 |
| % | 8.3 | -6.7 | -8.2 | -27.9 | 0.4 | 20.3 | 7.7 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1829 | 1867 | 1873 | 1655 | 2005 | 2150 | 2275 |
| % | -3.3 | 2.1 | 0.3 | -11.6 | 21.1 | 7.2 | 5.8 |
| PEI | 604 | 654 | 599 | 476 | 750 | 675 | 700 |
| % | -20.9 | 8.3 | -8.4 | -20.5 | 57.6 | -10.0 | 3.7 |
| NS | 6958 | 7180 | 7140 | 7019 | 8372 | 7500 | 7000 |
| % | 19.7 | 3.2 | -0.6 | -1.7 | 19.3 | -10.4 | -6.7 |
| NB | 3550 | 3483 | 3339 | 3496 | 4023 | 3800 | 4000 |
| % | 8.9 | -1.9 | -4.1 | 4.7 | 15.1 | -5.5 | 5.3 |
| QUE | 31946 | 31875 | 33575 | 29824 | 38031 | 39000 | 39500 |
| % | 14.1 | -0.2 | 5.3 | -11.2 | 27.5 | 2.5 | 1.3 |
| ONT | 115260 | 107575 | 116005 | 105789 | 138859 | 150000 | 146500 |
| % | 9.0 | -6.7 | 7.8 | -8.8 | 31.3 | 8.0 | -2.3 |
| MAN | 11383 | 10546 | 10825 | 9749 | 10965 | 11350 | 11000 |
| % | 19.6 | -7.4 | 2.6 | -9.9 | 12.5 | 3.5 | -3.1 |
| SASK | 7829 | 7375 | 7459 | 7349 | 8689 | 8175 | 7640 |
| % | 20.4 | -5.8 | 1.1 | -1.5 | 18.2 | -5.9 | -6.5 |
| ALTA | 38545 | 37024 | 32512 | 29098 | 37482 | 43000 | 42000 |
| % | 12.2 | -3.9 | -12.2 | -10.5 | 28.8 | 14.7 | -2.3 |
| BC | 93564 | 80919 | 75270 | 58082 | 72182 | 77000 | 80000 |
| % | 10.7 | -13.5 | -7.0 | -22.8 | 24.3 | 6.7 | 3.9 |
| CAN** | 311468 | 288498 | 288597 | 252537 | 321358 | *342700 | *340600 |
| % | 11.1 | -7.4 | 0.0 | -12.5 | 27.3 | 6.6 | -0.6 |

Average Residential Price (dollars and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 92137 | 91243 | 91697 | 89525 | 93666 | 94500 | 95500 |
| % | 1.4 | -1.0 | 0.5 | -2.4 | 4.6 | 0.9 | 1.1 |
| PEI | 75570 | 72422 | 78753 | 73807 | 83962 | 80000 | 82000 |
| % | 6.4 | -4.2 | 8.7 | -6.3 | 13.8 | -4.7 | 2.5 |
| NS | 87685 | 88965 | 91109 | 89788 | 93448 | 96300 | 98300 |
| % | 1.4 | 1.5 | 2.4 | -1.4 | 4.1 | 3.1 | 2.1 |
| NB | 82478 | 84951 | 84149 | 83994 | 84035 | 86500 | 87000 |
| % | 2.0 | 3.0 | -0.9 | -0.2 | 0.0 | 2.9 | 0.6 |
| QUE | 102311 | 102447 | 102242 | 98837 | 98922 | 102000 | 103000 |
| % | -0.5 | 0.1 | -0.2 | -3.3 | 0.1 | 3.1 | 1.0 |
| ONT | 161364 | 156403 | 160033 | 154537 | 155578 | 166000 | 169000 |
| % | -5.7 | -3.1 | 2.3 | -3.4 | 0.7 | 6.7 | 1.8 |
| MAN | 80686 | 81748 | 83761 | 81897 | 85319 | 87000 | 88000 |
| % | 0.3 | 1.3 | 2.5 | -2.2 | 4.2 | 2.0 | 1.1 |
| SASK | 68406 | 70698 | 72738 | 73796 | 77476 | 79600 | 80000 |
| % | 1.0 | 3.4 | 2.9 | 1.5 | 5.0 | 2.7 | 0.5 |
| ALTA | 113558 | 117085 | 117336 | 114772 | 117681 | 122500 | 129000 |
| % | 1.9 | 3.1 | 0.2 | -2.2 | 2.5 | 4.1 | 5.3 |
| BC | 189999 | 211992 | 229514 | 221860 | 218687 | 212000 | 216000 |
| % | 12.9 | 11.6 | 8.3 | -3.3 | -1.4 | -3.1 | 1.9 |
| CAN** | 149590 | 152914 | 158309 | 150353 | 151052 | *155900 | *159800 |
| % | 1.8 | 2.2 | 3.5 | -5.0 | 0.5 | 3.2 | 2.5 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly percentage change)

| | 95:Q3 | 95:Q4 | 96:Q1 | 96:Q2 | 96:Q3 | 96:Q4 | 97:Q1 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 115.1 | 105.8 | 130.5 | 126.1 | 137.4 | 142.5 | 161.8 |
| % | 3.0 | -8.1 | 23.3 | -3.4 | 9.0 | 3.8 | 13.5 |
| Housing starts, total, thousands | 104.6 | 110.9 | 112.8 | 124.0 | 128.8 | 129.3 | 155.2 |
| % | -2.6 | 6.0 | 1.7 | 9.9 | 3.9 | 0.4 | 20.0 |
| Housing starts, singles, thousands | 61.5 | 66.6 | 69.4 | 78.9 | 79.5 | 79.9 | 103.3 |
| % | -0.8 | 8.3 | 4.2 | 13.7 | 0.8 | 0.5 | 29.3 |
| Housing starts, multiples, thousands | 43.1 | 44.3 | 43.4 | 45.1 | 49.3 | 49.4 | 51.9 |
| % | -5.1 | 2.8 | -2.0 | 3.9 | 9.3 | 0.2 | 5.1 |
| Housing completions, total, thousands | 108.6 | 109.2 | 115.7 | 112.5 | 119.6 | 123.6 | 135.3 |
| % | -12.9 | 0.5 | 6.0 | -2.7 | 6.3 | 3.3 | 9.5 |
| New house price index, 1986=100 | 134.1 | 133.2 | 132.8 | 131.6 | 131.3 | 131.7 | 132.6 |
| % | -0.6 | -0.7 | -0.3 | -0.9 | -0.2 | 0.3 | 0.7 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 286.7 | 261.3 | 289.8 | 300.3 | 307.1 | 387.6 | 356.2 |
| % | 18.2 | -8.9 | 10.9 | 3.6 | 2.3 | 26.2 | -8.1 |
| MLS average resale price, \$C thousands | 151.5 | 149.5 | 148.0 | 152.6 | 152.6 | 150.9 | 151.7 |
| % | 2.1 | -1.3 | -1.0 | 3.1 | -0.0 | -1.1 | 0.5 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 336.2 | 339.4 | 343.4 | 348.1 | 351.3 | 355.2 | .. |
| % | 0.7 | 0.9 | 1.2 | 1.4 | 0.9 | 1.1 | .. |
| Mortgage approvals, \$C billions | 62.2 | 51.7 | 63.7 | 62.4 | 70.2 | 88.7 | .. |
| % | 25.0 | -16.9 | 23.2 | -2.1 | 12.5 | 26.3 | .. |
| 1-year mortgage rate, per cent* | 8.0 | 7.4 | 6.8 | 6.5 | 6.3 | 5.2 | 5.2 |
| 5-year mortgage rate, per cent* | 8.8 | 8.5 | 8.0 | 8.5 | 8.1 | 7.0 | 7.2 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 26.8 | 26.3 | 27.7 | 29.8 | 31.2 | 32.8 | .. |
| % | -1.9 | -1.8 | 5.3 | 7.8 | 4.6 | 5.3 | .. |
| New, \$1986 billions | 11.1 | 11.2 | 11.8 | 13.0 | 13.8 | 13.8 | .. |
| % | -9.3 | 0.7 | 5.5 | 10.0 | 6.7 | -0.5 | .. |
| Alterations, \$1986 billions | 9.4 | 9.2 | 9.4 | 10.3 | 10.6 | 10.7 | .. |
| % | -2.5 | -1.9 | 2.3 | 8.9 | 3.6 | 0.9 | .. |
| Transfer costs, \$1986 billions | 6.3 | 5.9 | 6.5 | 6.6 | 6.7 | 8.3 | .. |
| % | 15.7 | -6.3 | 9.6 | 2.2 | 1.9 | 24.1 | .. |
| Deflator, 1986=100 | 141.1 | 138.7 | 139.8 | 140.1 | 140.6 | 141.5 | .. |
| % | 1.4 | -1.7 | 0.8 | 0.2 | 0.4 | 0.6 | .. |

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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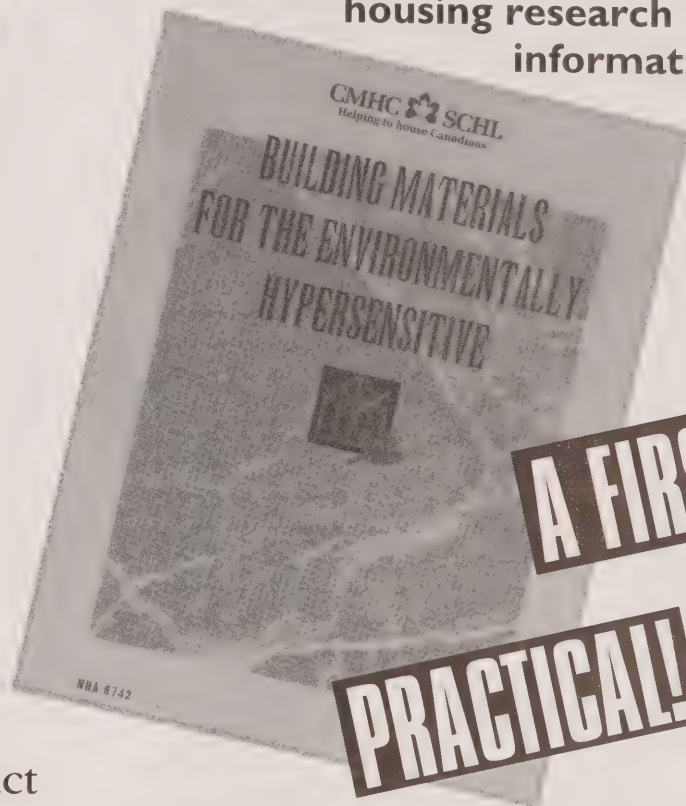
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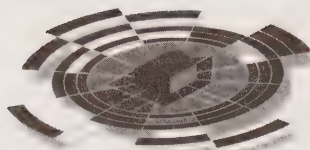
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TABLE OF CONTENTS

| | |
|--|----|
| Executive Summary | 1 |
| National Housing Outlook | 4 |
| Housing price indicators all point upward — but for different reasons | 7 |
| Gilles Proulx | |
| Louis Trottier | |
| Newfoundland | 10 |
| Basement apartments — get the full picture!!! | 11 |
| Brian Martin | |
| Darrin Keough | |
| Prince Edward Island | 13 |
| Ralph Freeze | |
| Nova Scotia | 15 |
| André Moore | |
| New Brunswick | 17 |
| Bruce Read | |
| Laurie Gosselin | |
| Quebec | 19 |
| Plexes: one of the strengths on the Montréal real estate market | 20 |
| Kim-Anh Lam | |
| Ontario | 22 |
| Ontario population is growing at a healthy clip | 23 |
| Alex Medow | |
| Manitoba | 25 |
| Richard Goatcher | |
| Terry Kozak | |
| Saskatchewan | 27 |
| Paul Caton | |
| Todd Selby | |
| Alberta | 29 |
| Elizabeth Woodman | |
| Karla Spilsted | |
| British Columbia | 31 |
| Ray Toscani | |
| Don Renaud | |
| Tables | 33 |

Executive Summary

After a strong start at the beginning of the year, when a demand backlog was satisfied, housing starts and sales eased during the second quarter of 1997. Construction fell 6.3 per cent in the quarter to 145,400 units on a seasonally adjusted annual rate basis. Sales of existing homes were 8.1 per cent lower. Markets remain strong and prices are beginning to head up.

Stronger and more widely based economic growth and job creation will combine with continued low mortgage rates to expand housing market activity over the forecast horizon.

Housing starts are expected to reach 148,100 this year and rise to 158,800 in 1998. In spite of recent easing, sales of existing homes are set to reach record levels this year at 338,600 transactions, with a further increase to 344,200 in 1998. Rising prices and reduced supply in some urban centres will be beneficial to the new construction market.

Both single-detached starts and multiple units will share in that expansion. For single-detached construction, good affordability and lean inventories remain key factors. For multiple construction, the bulk of demand will be from first-time or move-down buyers for ownership market products, such as semi-detached homes, row housing units and condominium apartments. Rental demand remains limited and construction will increase only next year.

Regionally, Alberta and Ontario will show the most improved results in housing starts, resale volumes and prices. Quebec's markets are finally sharing in the recovery. Construction is also rising significantly in British Columbia following a two-year trough.

Newfoundland

Bolstered by favourable market conditions and low mortgage rates, the existing home market posted record-high results in the first half of 1997. Uncertainty over job prospects in the fishing industry and out-migration to other provinces offset gains earlier in the year in the new home market. Housing starts are expected to decline to 1,775 units this year, as the construction of Hibernia nears its end and production of other megaprojects has not yet begun.

Prospects for 1998 look much better as solid economic growth should lead to a 5 per cent advance in real GDP. Housing markets will be driven up by the beginning of large-scale production at Hibernia, as well as job creation in mining (Voisey's Bay), petroleum (Terra Nova) and fisheries. Housing starts should go up by 9.9 per cent next year, and, in a stable price environment, the existing homes market will also perform well, with a 5.8 per cent increase in sales.

Prince Edward Island

The slowdown of employment that resulted from the completion of the Confederation Bridge and the shutdown of the CN ferry services affected new home construction in the first quarter along with population growth. Job losses should be offset by expanding opportunities in call centres and in the aerospace and food-processing industries.

Resale markets have been fairly busy in 1997, with the highest sales level in a decade due to an abundant choice of existing homes and good market conditions. MLS sales should remain around the 800 level both this year and next. Because of stiff competition from the resale market, housing starts are forecast to drop by

17 per cent in 1997 before rebounding by 6.5 per cent in 1998. The rental market is not expected to trend upward soon in the face of high vacancy rates and good borrowing conditions.

Nova Scotia

Both housing starts and resales went down drastically in the second quarter after a torrid first quarter. First-time buyers took advantage of financial incentives offered on new housing before the implementation of HST. Many first-time buyers ventured into housing markets and created opportunities for home owners to move up.

Over the forecast period, public sector job losses will be more than offset by gains elsewhere. Positive migration figures will also give some momentum to housing demand. Resale prices should firm up on most markets as a result of tight listings of move-up and executive homes. The current oversupply of rental units should keep new construction very low this year and next. This slowdown should lead most rental markets to rebalance and eventually lower vacancy rates. A stable mortgage rate environment and good job prospects should drive housing starts to 4,220 in 1997 and 4,350 the next year.

New Brunswick

Over the first quarter, resale markets went through hard times as many home buyers grabbed the opportunity to get higher tax rebates before the HST was implemented. Despite this activity slowdown, existing home prices firmed up and prompted

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move-up buyers to come back into the market. New home sales took off again once the effects of the HST were fully understood by potential buyers.

Economic growth will be limited in 1997, when ongoing weakness in the construction and manufacturing sectors will restrict GDP growth to 2 per cent. Prospects look better for next year. The employment benefits that come with the start of some delayed projects should help housing markets. MLS sales should remain around 3,900 units this year and reach 4,100 in 1998 as some pent-up demand from move-up buyers emerges in response to low mortgage rates. Housing starts are expected to slow down slightly this year but recover next year as more jobs are created and the economy grows. Chronically high vacancy rates should keep rental markets depressed, except in Fredericton.

Quebec

On a seasonally adjusted basis, second quarter housing starts were 13 per cent higher than in the same quarter a year ago, at 25,800 units. Most of these starts were detached, semi-detached and row units. Resales were up 19 per cent from a year ago.

Prospects for this year and next are positive. Starts should increase by 14 per cent in 1997 to reach 26,500 units, and by another 5 per cent in 1998 to 27,500 units. Primarily responsible for these figures are the improved economy, greater consumer confidence and especially low mortgage financing costs. Multiple starts will grow slightly this year and next. Rental construction will remain low, but the result should be a better balance in the market.

Favourable market conditions will encourage more young households to become home owners. MLS sales are forecast to increase by 5 per cent this year and by 3 per cent in 1998. A good stock of affordably priced units will bring more first-time buyers into the market over the forecast period.

Ontario

Residential construction in Ontario cooled down after four quarters of uninterrupted growth, but still managed to surpass levels reached in the second quarter of 1996, with housing starts 26 per cent higher than a year ago. The resale market too slowed down somewhat, and also outperformed last year's market in both sales and prices.

Economic fundamentals point to a stronger economy and housing market over the forecast period. Passenger vehicle sales, retail sales, shipments of manufacturing industries and the Help Wanted Index all point to an improving economy. Brighter economic and employment prospects, rising consumer confidence, continued in-migration, and low mortgage rates will set the stage for a stronger housing market.

New home construction is forecast to rise by 28.9 per cent to 55,500 units in 1997 and a further 8.1 per cent next year, with both single and multiple-family units sharing the gains. The pace of growth in existing home sales is expected to pick up to 150,000 transactions in 1998. The average price of existing homes is forecast to increase by 6.4 per cent this year to \$165,500 before easing to match the inflation rate in 1998.

Manitoba

Manitoba's housing markets experienced strong growth in the first half of 1997. New home construction witnessed an impressive 17 per cent growth by mid-year, with an enviable 38 per cent increase in urban centres. The condominium market remained strong, with a 20 per cent sales increase and a 4 per cent rise in prices in the first five months of the year. Resales increased by 5.6 per cent in the same period.

Housing markets are expected to remain strong this year and next as the economy continues to gain momentum and employment grows. Aerospace, transportation, farm

equipment, communication, business services and retail industries will lead the economic expansion.

Single-family starts are forecast to rise by 11 per cent in 1997 and multiples by 13 per cent. If the average price of an existing home rises, as expected, by a moderate 2 per cent to reach \$87,000 this year, Manitoba will remain among the most affordable markets in the country.

Saskatchewan

Saskatchewan's housing markets remained strong in the first half of 1997 with a 4 per cent rise in housing starts and a 9 per cent increase in the average existing home price. The resale market fell 2 per cent short of its record sales performance of 1996. The increase in home building activity came largely from smaller urban centres.

Housing markets are expected to remain healthy this year and next. Rising consumer confidence should be buoyed by a rebound in net farm income plus improving employment prospects as a result of major capital investments in the oil and mining industries. Out-migration of skilled construction workers could dampen the pace of house building later this year and into 1998.

A limited supply of existing home for sale over the forecast period will continue to exert pressure on house prices and narrow the price gap between new and existing homes, making new homes more attractive to first-time buyers. Single-family starts are forecast to match last year's level of 1,600, while multiple starts will drop to 500 units. The average price of existing homes will increase by 2. per cent to reach \$80,000 this year and \$82,000 in 1998.

Alberta

Alberta's housing markets had a stellar performance in the first half of 1997. House construction jumped 55 per cent, for the strongest first-half performance since 1983. Calgary's

4,201 single family starts, accounting for 61 per cent of Alberta's urban single starts, was the brightest spot in a province with generally strengthening markets. The resale market continued to expand fast, with MLS sales rising 19 per cent.

Housing markets are forecast to remain strong this year and next in an expanding economy, with growing consumer confidence buoyed by employment growth. The energy, manufacturing and construction industries will lead growth in the province. Employment growth, in-migration, and low mortgage rates will continue to fuel housing demand over the next eighteen months.

Home construction is forecast to rise by 36 per cent in 1997, to reach 22,700 units, with both singles and multiples contributing to the gain. The resale market will set new

records in 1997 with 43,000 sales, up 15 per cent, and an average price of \$124,000, up 5 per cent from the previous year.

British Columbia

The pace of residential construction picked up in the second quarter of 1997 thanks to a surge in demand fuelled by low mortgage rates and in-migration. Sale of existing homes improved substantially over the past six months, reversing a nine-month decline that began in April of last year.

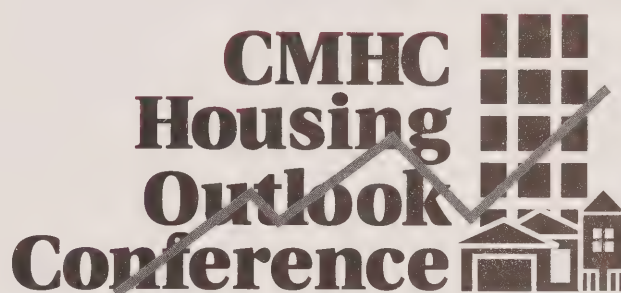
The economy is expected to perform better over the forecast period, as forestry product prices firm up and the manufacturing sector forges ahead. Improving economic and employment prospects, rising consumer confidence, continued in-migration and low mortgage rates

will set the stage for a stronger housing market.

New home construction is forecast to rise by 7 per cent to reach 29,600 this year and to rise a further 8 per cent next year. With high development charges and home prices, builders are focusing on smaller lots and homes, and condominiums are becoming more attractive. Condominium construction is expected to lead the way for the remainder of 1997, as first-time home buyers take advantage of low mortgage rates. Existing home sales are forecast to reach 75,000 units in 1997 and to rise by a further 4 per cent to 78,000 in 1998, with most of the gain concentrated in the Vancouver market. The average price in 1997 is expected to remain near \$220,000. ■

In today's business environment, we must not only look at what is happening today but also into the future.

Plan now to attend Canada Mortgage and Housing's 1997 Housing Outlook Conferences and get the local and provincial forecasts to help you succeed in 1998.



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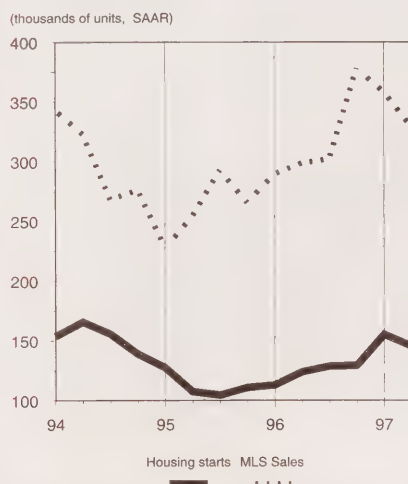
Canada

by Gilles Proulx
and Louis Trottier



Starts and sales... ...ease in second quarter

Housing starts and residential MLS sales — Canada



SOURCES: CMHC, Canadian Real Estate Association.

Market activity eases from strong base

Following a strong start at the beginning of this year, housing starts and sales eased during the second quarter. Some of the first quarter business for builders and real estate agents represented a backlog of demand that was released following the sharp drop in mortgage rates during the closing months of 1996. With that backlog satisfied, business activity returned to more sustainable levels during the second quarter.

On a seasonally adjusted annual rate basis (SAAR), construction amounted to 145,400 housing units during the second quarter, compared to 155,200 during the first quarter. The reduction was concentrated in single-detached units, where new construction fell from 103,300 to 91,000. In contrast, multiple unit construction advanced from 51,900 to 54,400, its best level in two years. This improvement largely reflects first-time buyer activity in ownership and condominium products. Specific preferences vary by region: the largest advances are for semi-detached construction in Quebec, row housing in Ontario and apartments in the west.

Sales through the Multiple Listing Service fell for the second consecutive quarter, reaching 328,900 transactions, or 8.1 per cent lower than in the first quarter. While the reduction points to the underlying backlog of demand being met in the existing homes market, it is also the result of two other factors, both of which led more first-time buyers to enter the new market: existing home prices are moving up, and choice has become more limited in some urban centres.

The firmer activity in the first half of the year was reflected in house prices. MLS prices rose 3.2 per cent during the second quarter, while the New House Price Index was up 0.2

per cent. (See the feature article reviewing recent trends in home price indicators.)

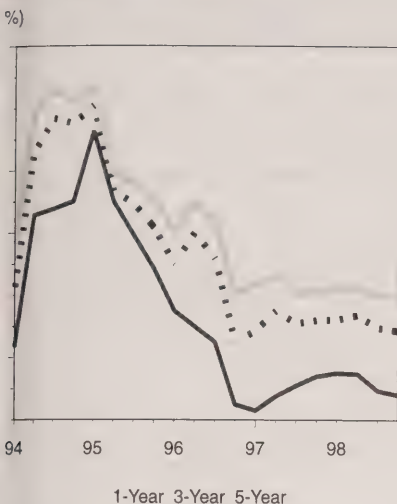
Tight management of inventories remains the order of the day for builders. The inventory of newly completed and unoccupied inventory keeps shrinking both for single and semi-detached units and for multiple units. June 1997 data show respective drops of 9.1 and 30.2 per cent from a year ago.

1997-98 Outlook

A favourable environment: more jobs and low mortgage rates

Recent economic indicators have been pointing to stronger and more widely based economic growth over this year and next. The economy's expansion is no longer relying exclusively on export growth. In fact, consumer spending and business investment have begun to show new growth. This faster pace of the economy is clearly reflected in employment trends. Job creation clearly accelerated from February to July, and prospects are for further gains. Employment levels grew by 1.3 per cent in 1996, and our forecast is for increases of 1.6 per cent this year and 2.0 per cent in 1998.

Low mortgage rates keep housing affordable



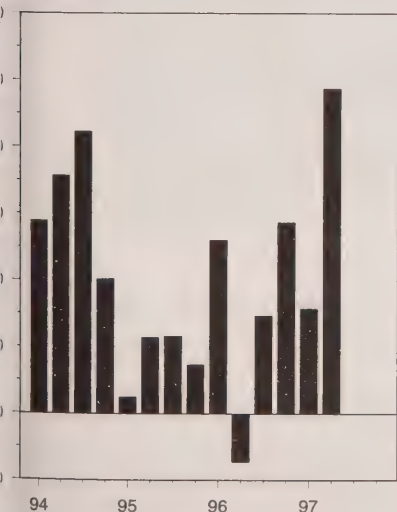
SOURCES: Bank of Canada; 1997-98 CMHC forecast.

What's more, recent growth has been concentrated in full-time jobs, providing consumers with sound support when it comes to income generation, confidence building and spending power, all of which can lead to housing demand. The next stage of housing market expansion will be based on this improved job market.

In addition to the economy's momentum, mortgage rates will also play a key role. Despite recent ups

Job creation surge in 1997

Quarterly employment change, thousands of persons



SOURCE: Statistics Canada.

and downs, mortgage rates are still among the lowest in thirty years. Rising costs of funding mortgages are expected to push rates up modestly in 1997.

The one-year mortgage rate is expected to inch up to 5.50-5.75 per cent later this year before declining to 5.00-5.50 per cent in 1998 in response to easing interest rates. The five-year rate will be around 7.00-7.25 per cent later this year and will decline to 6.75-7.25 per cent in 1998.

Record existing home sales

Housing starts are expected to reach 148,100 units this year and rise to 158,800 in 1998. This slightly revised outlook reflects an environment in which low mortgage interest rates continue to keep housing affordable, plus the cumulative impact of rising employment and income. These construction levels fall within the lower part of the range of housing requirements driven by underlying demographic trends.

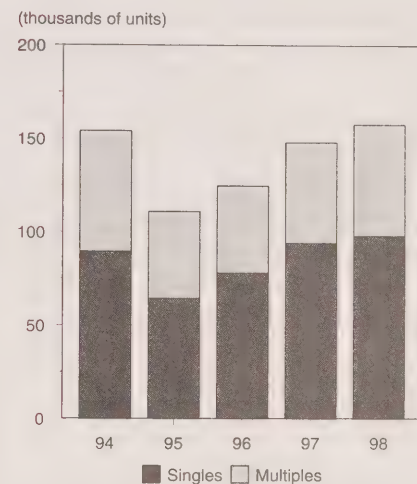
MLS sales are expected to reach an all-time record of 338,600 transactions this year, 5.4 per cent more than in 1996. Good affordability is being somewhat eroded by the price recovery in most local markets and in some cases by the reduction of available supply. A further sales increase to 344,200 transactions is expected for 1998.

The average sales price is expected to be up 4 per cent this year to \$157,100, reflecting both mix changes and price increases. The average is expected to be stable in the high-priced British Columbia market, and up by more than 5 per cent in four provinces (Ontario, Alberta, Nova Scotia and New Brunswick). For next year, the average price is forecast to rise by 2.7 per cent.

The New House Price Index provides a measure of the underlying price trend: for the twenty urban centres where a forecast is available, the average increase is 2.3 per cent, with a high of 11.0 per cent in Calgary. The index should be up by between 2 and 4 per cent in seven centres and by less than 2 per cent in eight others, while declines are expected in the four remaining centres. For next year, the average index increase should also be 2.3 per cent.

Starts close to 160,000 mark in 1998

Housing starts by type — Canada



SOURCE: CMHC.
1997-98 Forecast.

Single-detached starts are expected to rise by 19.4 per cent this year to 93,100 units this year, with a further gain to 99,000 next year. The market for single-detached homes is benefiting from improved affordability and very lean inventories. Any increase in demand will require new construction. As well, the very active resale market is positive on two grounds: first, there is some move-up activity from sellers in the existing market; second, higher prices and limited supply in some markets is making new homes more attractive.

Multiple unit construction will increase 17.7 per cent this year to 55,000 units, with a further increase to 59,700 units next year. This year's construction increase is concentrated in semi-detached, row housing and condominium apartments. These products are primarily targeted at home owners, either first-time buyers or move-down buyers who may have sold their existing homes. Rental apartment construction is expected to drop further this year before recovering somewhat in 1998. This year's decline reflects a steady level of private initiative and the end of government-assisted rental construction in Ontario.

The rental market is adversely affected by the still high and slowly retreating vacancy rates in most local markets. Moreover, underlying demand trends include the move to ownership, which reduces the number of renters; a small number of new renters, as young adults leave the family home later; and recent lower-than-expected immigration levels. A recovery in immigration trends and an improving labour market should be positive for the rental market next year.

Alberta and Ontario remain market leaders

Strong economies and tight inventories will ensure the greatest recovery in new construction in Alberta and Ontario this year, by 36 per cent in Alberta and 29 per cent in Ontario. Gains in resale activity and price advances in these two provinces are among the most impressive in the country. Also worth noting is the delayed but significant recovery in new construction in Quebec, with new construction rising by 14 per cent this year. New construction is also rising significantly in British Columbia, with starts up by 7 per cent this year, following a two-year trough. ■

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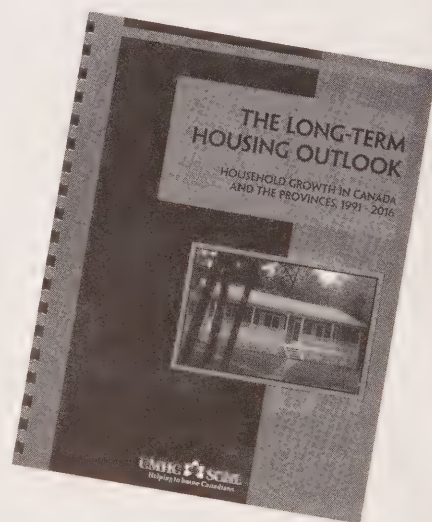
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Housing price indicators all point upward — but for different reasons

A variety of price indicators are released regularly to gauge the Canadian residential housing market. Although these indicators all monitor house price trends, they differ significantly in which housing markets they cover as well as in their intrinsic characteristics. Examining these indicators together makes current market trend assessment more accurate.

This report will examine four indicators: average prices reported in CMHC's Housing Market Survey and loan insurance underwriting data, the average prices of the Canadian Real Estate Association's Multiple Listing Service, and Statistics Canada's New Housing Price Index (NHPI). When appropriate, it will also factor in the number of units sold at an annual rate.

All of these indicators have been pointing up recently, indicating market momentum.

CMHC's housing market survey

In its housing starts survey, CMHC collects information on the market prices of all single and semi-detached units completed and sold in urban centres with a population of more than 50,000. This data is published in CMHC's Housing Information Monthly. To remove seasonal variations, average prices and the number of units are presented as 12-month moving averages. Currently, the average price of new single and semi-detached units is close to \$212,000.

Data for the first semester of 1997 show that the average price decrease that began in spring 1996 ended in May 1997. However, this downturn in prices was not the result of low

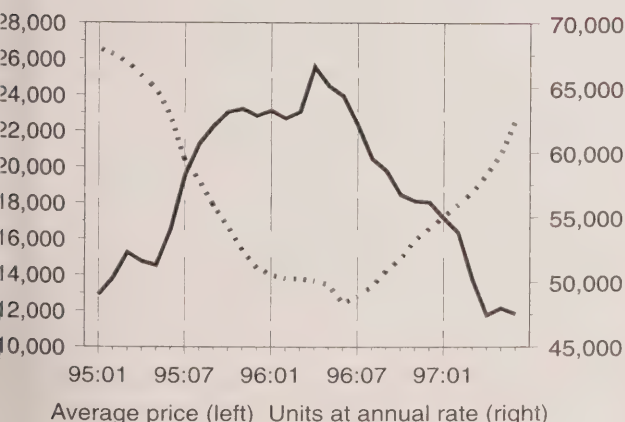
demand, as more units were absorbed on the market during the period. Rather, it came about because a larger number of first-time buyers ventured into the housing market between spring 1996 and May 1997, targeting low-priced units and bringing the average price of these new units down.

CMHC loan insurance underwriting data

All buyers of new and existing homes who take out CMHC mortgage loan insurance provide data about their properties. Annual summaries of this data are available in Canadian Housing Statistics. This information is very accurate, as it is required by CMHC for its business relations with home buyers. However, because of the higher proportion of first-time buyers, these average prices are lower than other measures of average prices. This graph shows 12-month moving averages for both prices and units so that seasonal patterns do not skew the data. The current average price for this indicator is nearly \$112,000.

CMHC new housing Survey Data

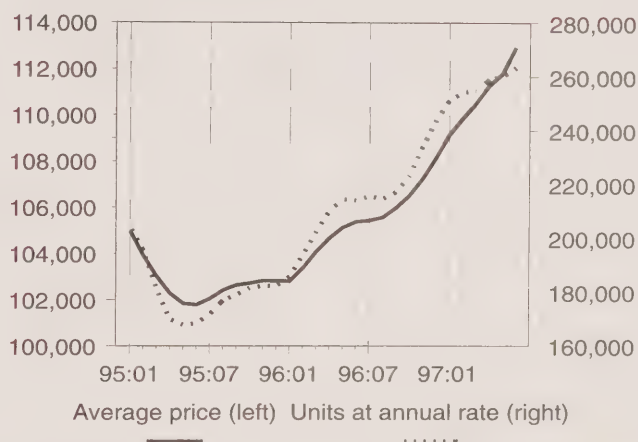
(12-month moving average)



Source: CMHC.

CMHC underwriting data

(12-month moving average)



Source: CMHC.

This index shows that prices have gone up steadily since the trough in the first half of 1995. Average price increases accelerated in the second semester of 1996 when a significant decrease in mortgage rates gave strong momentum to the existing home market, which represents an important share of activity for CMHC loan insurance.

MLS average price

This indicator represents the average price of homes sold by real estate agents through the Multiple Listing System, operated by the Canadian Real Estate Association. Prices and units are both available in raw and seasonally adjusted formats. Although this indicator does not include exclusive sales or sales transacted without realtors, MLS average prices are the most commonly used price measure for the existing homes market in Canada. The most recent average price for this indicator is approximately \$152,000.

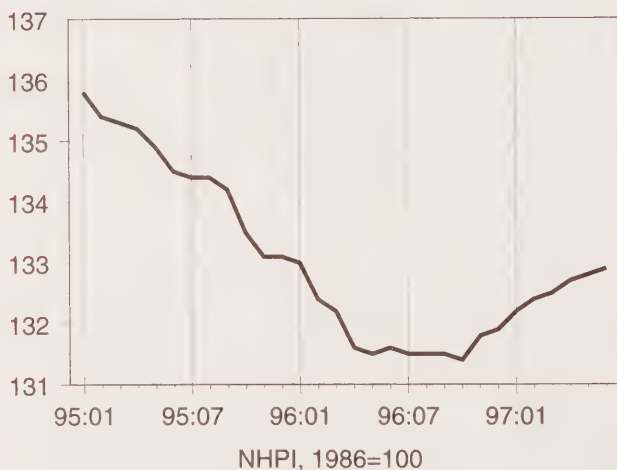
The general pattern of this indicator has been upward since the beginning of 1996. The slowdown of sales in early 1997 is noticeable in the significantly flattened line showing units sold. However, despite slower growth, sales activity remains high. Favourable market conditions — especially low mortgage rates, a key driver of MLS activity — have kept demand strong, as the upward trend of prices shows.

New housing price index:

This unique indicator monitors the price of new residential homes, but it maintains a constant quality level for certain key factors, such as house models, features and land location. In other words, it is adjusted to account for price variations due to the overrepresentation of either luxury or low-priced units in the sample for a given month.

A set of fixed weights is revised annually on the basis of the latest completion figures all over Canada. The index level was set at 100 in July 1986. Current new home prices are 32.7 per cent higher than during the base period. Since this index is based on builders' selling prices for new homes, it does not include the GST or HST in Quebec, New Brunswick, Newfoundland and Nova Scotia.

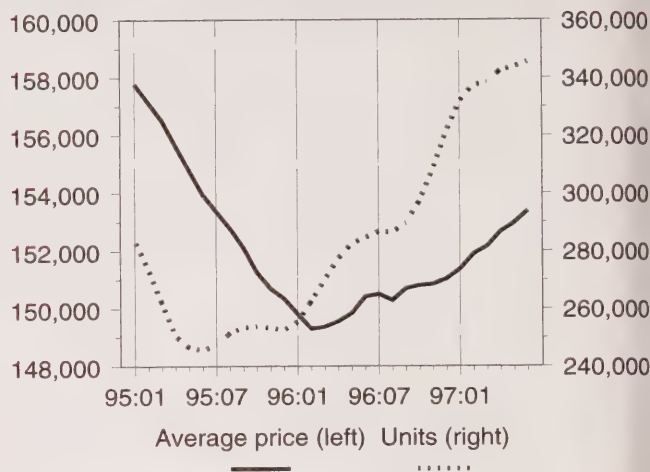
New housing price index



Source: Statistics Canada.

MLS average price and units

(seasonally adjusted, 12-month moving average)



Source: Canadian Real Estate Association.

According to this index, new home prices began to decrease in late 1994 and to pick up in the second half of 1996. As demand is expected to remain strong this year and next, this price indicator should continue to show some positive growth.

Links between the indicators

Although these indicators reflect different markets and basic characteristics, they have all been showing increases recently. However, the magnitude and extent of the current growth trend varies significantly. This situation reflects the behaviour of different market segments in the face of changing market conditions.

Both MLS data (reflecting activity in existing units) and CMHC underwriting data (with mostly existing units) show an upward swing in activity and prices in early 1996. The average MLS price tends to fluctuate more than other indicators because it includes both NHA-insured and conventional mortgage holders. The average prices in CMHC underwriting data (which mainly reflect existing homes) also respond promptly to lower mortgage rates. However, the higher proportion of first-time buyers keeps the average price level lower than that of MLS.

CMHC's Housing Market Survey data show a rise in average new-home prices only in mid 1997. Although average prices went down between early 1996 and April 1997, increased activity showed that demand was strong during this period. The NHPI's upward trend began as early as October 1996. This confirms that demand pressure on prices had already begun well before May 1997. It appears that home buyers were quite active but bought more modest homes and kept average prices low.

Main characteristics of selected home price surveys

| | CMHC: housing market survey | CMHC: loan insurance data | CREA: MLS data | Statistics Canada: NHPI |
|---------------------|---|---|---|--|
| Price indicator | Average price | Average price | Average price | Price index |
| Market coverage | Newly completed and sold singles and semis: homeownership units | New and existing homeownership units insured by CMHC under the National Housing Act | Existing homes sold by real estate agents through the MLS network | New singles, semis and row homeownership units |
| Geographic coverage | Census metropolitan areas, urban centres of 50,000 persons and over | All areas in Canada | All areas in Canada | Census metropolitan areas |
| Quality adjusted | No | No | No | Yes |
| Market-induced bias | Positive bias: includes the most expensive units on the market | Negative bias: higher proportion of first-time buyers | Tends to show higher price fluctuations | |

As market conditions start improving, activity intensifies more readily in existing home markets than in new housing markets. This is because mortgage rates are a major factor behind the turnaround in existing home markets. New home markets usually react later to improving housing markets conditions. There are more new-home buyers when existing home markets become less attractive. This happens when the supply of existing units drops or prices rise.

Other information sources, such as the Royal LePage survey of house prices, can give a good idea of activity in specific local markets. These surveys may be useful in detecting local price trends. ■

Newfoundland

by Brian Martin and Darrin Keough



Highlights

- Existing home sales on record pace
- Housing starts falter
- Construction to pick up in 1998

Existing home sales surge in first half

The resale market surged ahead during the first six months of 1997 with existing home sales through the province's MLS system reaching historical highs.

The continuation of favourable home buying conditions combined with lower new home prices provided a significant boost to existing MLS

sales in the first half. Provincial MLS sales reached a record 969 units, eclipsing the previous high set in 1994. Strong demand combined with only slight gains in supply led to a modest 0.5 per cent increase in the average MLS house price.

Strength in the resale market came largely at the expense of new homes. Following a busy start to the year, construction activity throughout the province fell significantly in the second quarter, more than offsetting the earlier gains. Out-migration and uncertainty over job prospects in the fishery continued to erode housing demand in rural areas, where starts plummeted 36.9 per cent during the first half of 1997. The perception of higher costs associated with the HST has also served to dampen starts activity. When combined with a slight dip in urban centre starts, province-wide activity was off 15.6 per cent from a year ago.

Employment on the Hibernia project is expected to average 1,200 in 1997, well below the 4,400 employed last year. However, with Hibernia production expected to be in full swing in 1998, both direct and indirect benefits will provide a boost to the economy. Additional investment related to the Terra Nova oil field and Voisey's Bay development will also support expansion in the provincial economy next year.

Not all the news is bad for 1997, as other developments in the oil and gas industry, such as pre-engineering work on the Terra Nova project and the construction of a transshipment facility to temporarily store Hibernia crude, are under way.

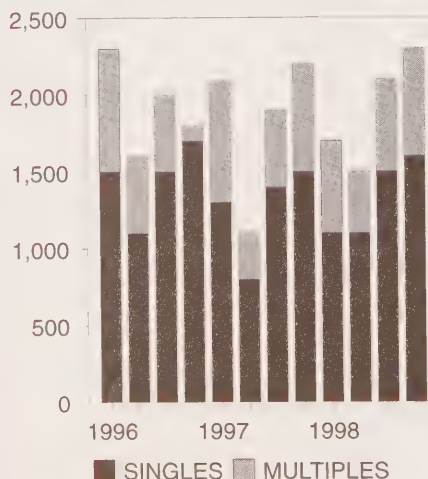
The opening of a limited cod fishery on the province's south coast, combined with increased quotas for caplin, and the more lucrative crab and shrimp fisheries, will support growth in the fishing industry this year as well. The value of fish landings is expected to surpass the \$300 million mark for only the second time in history.

Landed value will continue to rise next year and is forecast to reach a record \$375 million by 2000. Despite this strong growth in landed value, employment in the fishery remains well below levels achieved prior to the groundfish closures.

The province's mining industry will record tremendous growth over the next few years as the Voisey's Bay nickel deposit is developed. Construction of a mine and mill at Voisey's Bay is slated to begin late this year while work on a smelter-refinery complex at Argentia will begin early in 1998. The projects will generate an estimated 3,500 direct and indirect

Housing Starts NEWFOUNDLAND

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

1997-98 Outlook

Economic prospects remain solid for 1998

The completion of Hibernia's construction phase combined with continued restraint at all levels of government will be major contributors to an expected 2 per cent decline in provincial economic output this year. In 1998, economic prospects are solid, with the provincial economy poised for a period of prolonged expansion. At 5 per cent, Newfoundland's economy will record the highest rate of growth in the country in 1998.

long-term jobs in the province. When the entire operation is running at full capacity, the value of mineral shipments from the province should more than double to over \$2 billion per year.

In addition to these major developments, the tourism industry, highlighted by spinoffs from the Cabot 500 celebrations, will also support economic growth over the forecast period.

Employment, though forecast to decline marginally this year, will rise a respectable 2.1 per cent in 1998. Out-migration, which reached record levels in recent years, should also decline in response to improved economic conditions.

Out-migration from rural areas depresses starts activity

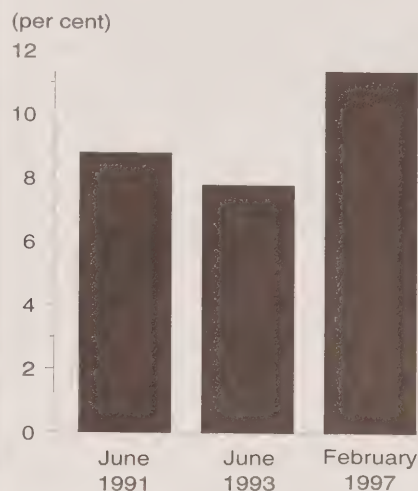
Record levels of out-migration combined with limited job opportunities in the fishery has resulted in a significant reduction in rural housing starts in recent years. These factors, as well as anticipated cost increases associated with the HST, will continue to shape residential construction activity in the province for the remainder of 1997. Overall, home building is forecast to decline by 12.7 per cent, to 1,775 units. A robust economic recovery and associated employment opportunities will provide a much-needed boost to the industry in 1998, with housing starts forecast to rise by almost 10 per cent to 1,950 units.

Weak economic conditions, particularly in rural areas, will inevitably result in declining single-detached starts. Multiple housing units are also expected to decline this year due in large part to reduced two-apartment starts. In 1998, both single and multiple unit construction should rebound as employment growth and low mortgage rates help to bolster consumer confidence and maintain a high level of affordability.

BASEMENT APARTMENTS — GET THE FULL PICTURE!!!

As in larger rental projects, the number of vacant basement apartments was high in St. John's and Mount Pearl during early 1997. A CMHC survey of basement apartments in the twin cities area conducted early in February indicated an overall vacancy rate of 11.4 per cent, or an estimated 500 units. This rate is higher than in the previous two surveys carried out by CMHC, in 1991, when it was 8.8 per cent, and 1993, when the rate fell to 7.8 per cent.

Vacancy rate in basement apartments cities of St. John's and Mount Pearl



SOURCE: CMHC.

As expected, the high level of vacancies has had a dampening effect on rental rates in recent years. In the most current survey, landlords indicated that average rental rates had fallen by 2.4 per cent for one-bedroom units during the previous 12 months and by almost 1.0 per cent for two-bedroom units. There have been only marginal gains in rental rates for both one- and two-bedroom apartments since 1993, and these have not even kept pace with inflation.

Numerous factors have contributed to rising vacancy rates, the most significant of which are additions to the stock of basement units, movement of renters to home ownership, and out-migration. Overall, these figures provide further evidence of the imbalance between supply and demand.

To get the full picture of the basement apartment market in the St. John's-Mount Pearl region, including an in-depth submarket analysis, please contact Market Analysis at (709) 772-2163, by fax at (709) 726-1166, or by e-mail at cmhcmarket@nf.sympatico.ca. ■

Provincial MLS sales expected to reach new high

The resale market will continue to provide buyers with a wider selection of affordable dwellings that compare favourably with new homes. Supported by a strong first half, MLS sales, which are heavily concentrated in urban centres, are expected to reach 2,150 units in 1997, the highest level since 1988. This improved sales performance combined with only marginal growth in listings will also create some upward pressure on property values. Robust economic recovery will provide an additional boost to sales volumes in 1998. MLS sales will reach new heights, increasing by 5.8 per cent to 2,275 units.

Vacancy rates to edge lower in 1998

Employment growth, lower migration away from the region and the

Key Provincial Indicators

| NEWFOUNDLAND | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | -0.7 | -2.0 | 5.0 |
| Employment (% Change) | -3.6 | -0.5 | 2.1 |
| Unemployment Rate (%) | 19.4 | 19.6 | 18.6 |
| Housing Starts (Units) | | | |
| Total | 2034 | 1775 | 1950 |
| Singles | 1395 | 1250 | 1375 |
| Multiples | 639 | 525 | 575 |
| MLS Sales (Units) | 2005 | 2150 | 2275 |
| Average MLS Price (Dollars) | 93666 | 94000 | 95000 |

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

conversion of rental stock to condominiums will help to lower vacancy rates by the latter part of 1998. Despite the expected improvement, vacancies will remain well above acceptable levels. Vacancy rates in the St. John's CMA will hover in the 15 to 16 per cent range during the latter part of 1997 before edging

down to around 13 per cent in 1998. These conditions will limit rental rate increases and continue to discourage the construction of larger rental properties. ■

HOUSING MARKET OUTLOOK

Now, you can get an insightful report that provides analyses and forecasts of the most recent movements in the resale and new housing markets in more than 26 major urban centres. *Housing Market Outlook* looks at market trends, including local MLS activity, average prices, ratios comparing sale prices and list prices, factors affecting the local economy, forecasts for housing starts and new home prices, sales levels, and mortgage rates.

Housing Market Outlook — available three times per year in larger urban centres and two times per year in smaller urban centres. Fall issue available in October 1997.

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Prince Edward Island

by Ralph Freeze

Highlights

- Economy slows down slightly in 1997
- Resale market is the hot spot
- Construction of new homes drops

1997-98 Outlook

Island economy stumbles, but doesn't fall

The end of CN ferry service and bridge construction have caused a decline in P.E.I. employment and income but with less impact than expected. While the economic dip has

affected new home construction and population growth, service-related jobs have taken up some of the slack.

P.E.I.'s unemployment rate will creep up this year as the labour force will grow faster than employment opportunities. A combination of jobs from expanding call centres, the aerospace industry, and food processing will lead to a full employment recovery by 1998. The Souris area will finally have some relief. A potato dehydration plant is committed to the new facility which was to have been the home of an Asian owned food processor. Although there will be fewer jobs than the Usen fish plant provided, the waiting will be over.

Resale market heats up

Sales of existing homes have come to life. Low mortgage rates will keep a strong pace moving throughout the forecast period. This year will produce the most sales in a decade. Many houses have been on the market for a long time, driving up the average time to sell. As older listings sell, the current pace will help reduce the average time on the market for next year.

Demand from first-time home buyers will remain steady. High employment levels over the past few years have provided an opportunity for first-timers to save a down payment and enter the ownership market. The move-up market will continue to improve for houses. However, executive style homes



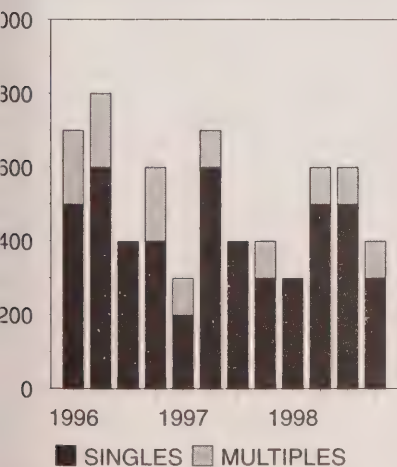
priced at the high end will be slow to sell.

One noticeable change to watch is the style of home being purchased by first-time home owners. Many are realizing that appreciation has been on hold. Rather than purchasing a smaller home and moving up later, the affordable environment is encouraging some to start out with a home that can meet their needs over a longer period of time.

The average sales price will drop slightly from last year's record level to become the second highest on record. An increased percentage of urban sales and more expensive purchases by first-time buyers will push the 1998 average sales price near the record.

Housing Starts PRINCE EDWARD ISLAND

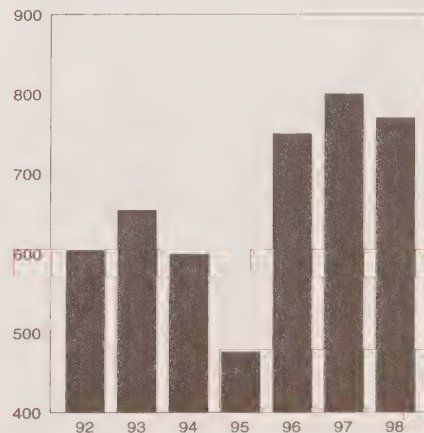
(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Existing Home Sales on the Move PRINCE EDWARD ISLAND

(units)



SOURCE: P.E.I. Real Estate Board.
1997-98 CMHC forecast.

New construction on the back burner

In spite of excellent borrowing conditions, new home construction on P.E.I. is going to drop significantly this year, mainly in urban areas. Single-detached homes are facing stiff competition from the resale market. Potential new home buyers are facing an abundance of choice and affordable prices.

Rural P.E.I. will surpass 1996 levels of single-detached home construction. The strength of the potato industry for three years before 1996 resulted in a home building spurt. If rural areas were to decline along with the urban centres, housing starts would be facing recession conditions. Fortunately, the inventory of new houses which have not been sold has remained low. When listings on the resale market begin to decline, demand for new homes is expected to rise.

Improving employment and stable borrowing rates will result in a small increase in single-detached home construction in the second half of next year. However, without a rise in incomes, home building will hold near current levels.

The rental market is also facing unfavourable demand conditions for new construction. Urban stock has sufficient room over the forecast period without any new structures. In addition, more people left the Island than moved here during the early part of 1997. This reverses the trend of the past three years when bridge-related work was an attraction.

With favourable interest rates, new rental units are attractive for developers and investors. However, high vacancy rates in Charlottetown

and Summerside leave few opportunities for new construction. Small structures in some rural communities are in demand. Based on these conditions, rental construction is expected to drop by 35 per cent this year. Next year will not bring much change as first-time home buyers continue to flock to ownership status and fewer people move to the Island.

Key Provincial Indicators

| PRINCE EDWARD ISLAND | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 1.6 | -1.1 | 2.0 |
| Employment (% Change) | 1.7 | -1.0 | 1.0 |
| Unemployment Rate (%) | 14.5 | 15.9 | 15.3 |
| Housing Starts (Units) | | | |
| Total | 554 | 460 | 490 |
| Singles | 430 | 380 | 400 |
| Multiples | 124 | 80 | 90 |
| MLS Sales (Units) | 750 | 800 | 770 |
| Average MLS Price (Dollars) | 83962 | 80000 | 82000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

Nova Scotia

by André Moore



Highlights

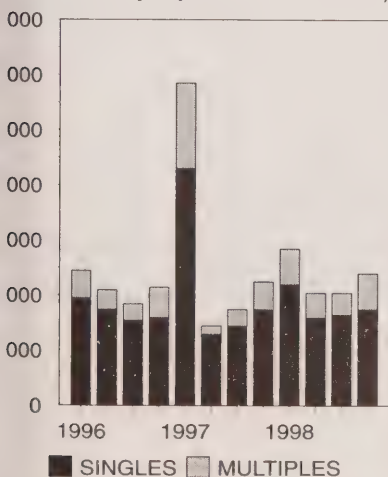
- Economic growth and low mortgage rates stimulate sales
- Housing markets on roller coaster ride in '97
- First-time home buying boosts move-up market
- Apartment market oversupplied

Nova Scotia housing construction cools off this summer

In the second quarter of 1997, Nova Scotia lost the distinction of having the fastest housing starts growth rate in Canada. Provincial starts in the second quarter turned in the weakest performance this decade, dropping 32 per cent from the mark established in

Housing Starts NOVA SCOTIA

(thousands, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

the second quarter last year. However, starts for the first half of the year are up 9.5 per cent, to 1,933 units, buoyed by a housing boom in the first quarter.

Housing resale patterns match those of starts. Existing home sales charged ahead 8 per cent in Nova Scotia in the first quarter, with all areas of the province showing positive gains. However, in the second quarter sales made a hasty retreat.

Although economic growth and low interest rates fueled a building activity, record growth in the first quarter was largely the result of a combination of government financial incentives, which came to an end in March.

It is apparent that incentives shifted home buying and building to the first quarter of the year at the expense of later activity. However, the rapid sales of first-time homes has created opportunities for second and third generation home buyers to move up. This view is supported by a tightening of inventory for sale and the steady inching up of prices in the second quarter.

1997-98 Outlook

Economy on the mend

At long last the Nova Scotia economy is starting to give consumers the comforting signals they need to make large financial commitments to things like housing. Stable and low five-year interest rates will remain the catalyst to most home buying decisions over the 1997 and 1998 forecast period, but improvement in the labour market will provide an additional support for housing. Employment levels are expected to increase by a modest 4,000 and recover to the record high levels established back in 1990.

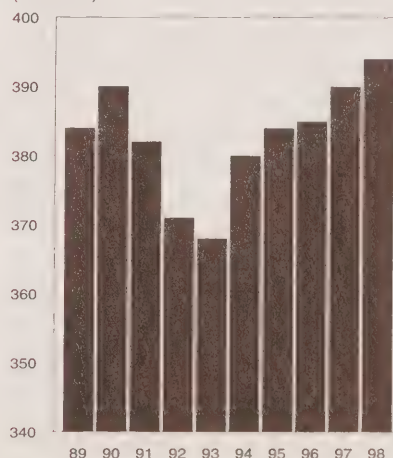
Improving consumer confidence is reflected in retail sales growth, both for department stores (up 6 per cent) and motor vehicle sales (up 8 per cent). Confidence will be further boosted during the next eighteen months by a mix of positive industry activity. Most notably, Stora's \$750 million project to produce supercalendered (SC) paper and the Highway 104 Western Alignment at \$120 million will stimulate growth over the forecast period.

Nova Scotia's public sector will continue to exert a drag on the provincial economy as plans for fiscal restraint and job cutting are executed over the next two years. Fortunately, these losses will be more than offset by gains made in finance, insurance and real estate, trade, and manufacturing.

Changing demography will also contribute to stronger housing demand. The natural growth of about 4,100 households each year will be

Employment NOVA SCOTIA

(thousands)



SOURCES: Statistics Canada.
1997-98 forecast by CMHC.

complemented by positive net migration of roughly 3,500 persons.

New market roller coaster ride in '97 leads to small ascent in '98

There is no better way to describe the new housing market in 1997 than as a roller-coaster ride. When Nova Scotia builders raced to beat tax changes and qualify their buildings for first-time buyer incentives in the first quarter of the year, phenomenal sales certainly demonstrated the power of government programs. However, as the first quarter gave way to the summer buying season, high inventories of unsold new entry level homes have given many spec-builders the jitters. Profit margins for builders of entry level homes this year will disappear if the homes are not sold quickly.

The second quarter performance has clearly established two related, important shifts in the provincial market: First, the market is shifting toward more move-up and executive home buying; and second, average new house size is increasing again along with prices. Although starts overall are expected to increase modestly in 1997 and 1998, price growth should be more robust. As a consequence of this change in mix away from new entry level housing, some spec builders, unable to unload entry level housing, will not be able to get credit to start building other homes. As a result there will be a higher than normal turnover in the construction industry in '97.

On a more positive note, where price growth reflects more than the broadening of the sales tax base early this year, it will indicate that builders of larger homes are working with larger margins. Prices are forecast to inch up next year in concert with general inflation rates and a small appreciation in the value of high-end houses.

Resale market continues its show of strength

The resale housing market will turn in a strong performance over the forecast period but will come down somewhat

from the record high sales levels set last year. Financial incentives available to first-time home buyers in the first quarter have drained the market of entry level buyers. However, these incentives have paved the way for increases in move-up and executive home buying.

Listings for move-up and executive homes will remain relatively tight this year and result in higher sale prices. This will be welcome news for sellers of executive homes who in the recent past have had difficulty moving and holding value. It will also be welcome news for the real estate agents who in general work just as hard to make a small commission on an entry level home as they do to make a larger commission on an expensive executive one.

The resale market will show sharp contrasts across the province over the forecast period. On the one hand, areas like the Halifax Regional Municipality (HRM) will experience tight supplies and relatively high demand for executive homes. On the other hand, areas like Sydney will see weak sales in all price categories and remain skewed towards low-priced housing.

Rental market oversupply to continue

The forecast decline in apartment starts will be welcome news for existing landlords in most areas of Nova Scotia who are struggling to find and keep tenants, in particular in the HRM. The

slowing pace of apartment construction will help give renter demand a chance to catch up with the oversupply. In the HRM for example, at the end of May there were 221 units under construction or completed and unoccupied, or the equivalent of a 7.6 month supply.

In most areas of Nova Scotia interest is waning in construction of new rental projects. At present, four apartment projects across the province constitute almost all that is on the books for this year and next. This is not to say that landlords and developers are not interested in building more apartments, but rather that the market is giving clear signals to hold off on plans.

While the declining additions to the stock of apartments looks good for the industry, it comes at a time when demand is falling off sharply. Favourable financial conditions and relatively low house prices are siphoning off demand to the ownership market.

Only in Antigonish and Kentville are vacancy rates expected to continue to remain relatively balanced. However, these rental markets are relatively small, with only limited opportunities for increased supply. ■

Key Provincial Indicators

NOVA SCOTIA

| | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | 0.8 | 1.7 | 2.2 |
| Employment (% Change) | 0.3 | 1.3 | 1.0 |
| Unemployment Rate (%) | 12.6 | 13.1 | 12.8 |
| Housing Starts (Units) | | | |
| Total | 4059 | 4220 | 4350 |
| Singles | 3278 | 3400 | 3400 |
| Multiples | 781 | 820 | 950 |
| MLS Sales (Units) | 8372 | 8250 | 7200 |
| Average MLS Price (Dollars) | 93448 | 101000 | 103000 |

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

New Brunswick

by Bruce Read and Laurie Gosselin



Highlights

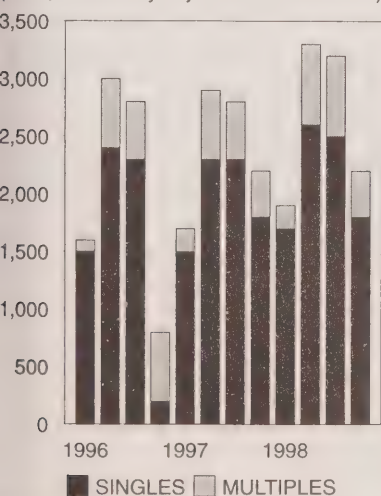
- Better economic times in 1998
- Weak job market hinders consumer confidence
- Prices are on the move
- Rental occupancy levels will remain a concern

A roller coaster ride in the first half

The first quarter of the year had real estate agents wondering where home buyers had gone. Sales in the existing market were down almost 10 per cent from the same period in 1996, dropping to 747. The introduction of the Harmonized Sales Tax in April left many industry players holding their breath, but buyers were back in

Housing Starts NEW BRUNSWICK

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

the marketplace after a short adjustment period.

Once consumers took time to study the new tax, many re-entered the market. There were enough purchases in the second quarter to set a new quarterly record of 1,203 homes. That brought the total this year to within one per cent of the record-setting first half of 1996.

After virtually no growth last year, prices in the existing market leapt ahead during the opening months of this year. Move-up buyers who have been hesitant to commit to an upgrade began returning to the market. With the supply of homes for sale down slightly from last year and fewer new listings, prices will maintain their lead over last year's level.

Home builders were not quite so busy. However, with starts down only 2.9 per cent to mid year and a positive mortgage rate environment ahead, there is every reason to believe that the second half of the year will be better for local builders.

1997-98 Outlook

Economic growth falters

Ongoing weakness in the construction and manufacturing sectors will combine with technical problems in the mining sector to limit overall economic growth in the province this year. Provincial gross domestic product, above the national average over the past five years, will be up by 2 per cent this year before advancing by 2.5 per cent in 1998.

The forecast earlier in the year for stronger construction and

manufacturing performance has not yet come about. A \$600 million highway project scheduled to start this spring may not get under way until this fall or even next spring. On a similar note, the expected spring start-up of construction on four container ships at the Saint John shipyards has been delayed to the fall season. These delays will limit sector output and postpone associated employment benefits.

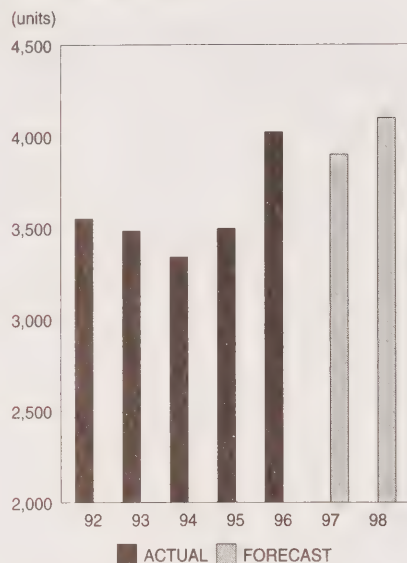
While zinc mines in the northern parts of the province have been benefiting from strong international markets, the potash industry has been struck with technical difficulties. Flooding mine shafts and mechanical breakdowns at the mine sites in the Sussex/Saint John area have put upwards of 750 jobs in jeopardy.

The forestry industry, responsible for producing close to 45 per cent of the provincial GDP, is also on less than solid ground. While wood products continue to do well, weak markets for newsprint and slow price recovery for pulp have limited recovery in this important sector.

Consumers, already reaping the benefits of the Harmonized Sales Tax, will soon get additional relief from a reduced provincial income tax. This will go part way toward rebuilding consumer confidence, which has been slow to recover in the Atlantic region.

With several sectors of the economy operating at less than capacity, provincial payrolls are down. Employment fell by 800 jobs last year and will only regain lost ground this year.

Residential MLS Sales NEW BRUNSWICK



SOURCE: Canadian Real Estate Association
CMHC: Forecast.

Housing market recovery slows in 1997

Homebuyers distracted by the implementation of the Harmonized Sales Tax this spring are once again in a buying mood.

Real estate agents will maintain most of last year's sales momentum. Sales will inch back to the 3,900 level from last year's record-setting 4,023 before rising to 4,100 in 1998. Pent-up demand from move-up buyers attracted by low mortgage rates will drive sales this year and next.

As For Sale signs begin to disappear from front yards this summer, prices will continue to rise. First-half sales anomalies that led to big average price gains will moderate. By year end, however, prices will be up by over 5 per cent from the 1996 level.

While most urban centres in the province will experience a decline in sales from the previous year, real estate agents in Fredericton can expect another banner year. Saint John will continue to experience slower sales until the local job market turns around.

Home buyers looking for an existing home in Moncton will take a breather this year, as sales ease slightly after a record-setting year in 1996.

Construction activity will rebuild in 1998

Although residential construction is expected to improve this fall, it will not be enough to push the number of starts ahead of last year's level of 2,722. Next year, as the economy begins to generate more jobs, housing starts will reach 2,900. The improvement will be driven by growing demand for home ownership units. Strategies to lure first-time buyers into the new homes market will lose their draw as fewer young people enter the market. Contractors planning to build smaller homes while maintaining the quality of energy efficiency and environmental sensitivity will do well with the growing number of move-down buyers.

In Moncton and Fredericton, builders will fill more orders for new homes in both 1997 and 1998. Higher prices and fewer options in the existing home market will encourage more buyers to consider new homes.

Construction activity in the Saint John market will contract this year before turning around in 1998. The expected return of some workers to

the now idle drydocks later this year will set the stage for a recovery in the housing market in the Port City area.

Rental market will remain soft

Vacancy rates vary in New Brunswick's urban centres. The average fall vacancy rate of 6.7 per cent for all centres has remained unchanged for the last three years. Out-migration of the unemployed and a strong first-time homebuyers market have kept the vacancy rate from declining to a more balanced level.

A fall 1996 vacancy rate of 3 per cent in Fredericton, however, will continue to encourage more rental development in the Capital city area. In Moncton, annual production of multiple units will ease from its level of close to 300 units. As landlords and developers adjust to the oversupply in the rental market, more multi-family homeownership units will be built.

Demand for rental accommodations in the Saint John market will remain soft for at least the next year. As the job market rebuilds over the next 18 months and previously discouraged workers begin returning home, vacancy rates will begin to decline. ■

Key Provincial Indicators

| NEW BRUNSWICK | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | 1.5 | 2.0 | 2.5 |
| Employment (% Change) | -0.3 | 0.2 | 1.9 |
| Unemployment Rate (%) | 11.7 | 12.8 | 12.1 |
| Housing Starts (Units) | | | |
| Total | 2722 | 2600 | 2900 |
| Singles | 2173 | 2100 | 2300 |
| Multiples | 549 | 500 | 600 |
| MLS Sales (Units) | 4023 | 3900 | 4100 |
| Average MLS Price (Dollars) | 84035 | 88750 | 88250 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Quebec

by Kim-Anh Lam



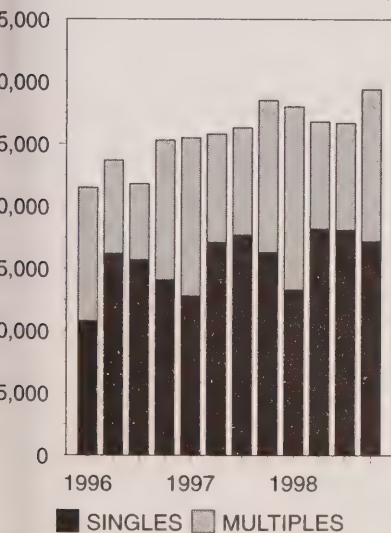
Highlights

- Resale market to remain vigorous
- New construction encouraged by improved economy and job picture
- A larger share of activity in large urban centres in '97 and '98

During the second quarter of this year, construction was more active than in 1996, though starts were not up from the preceding quarter, remaining near 25,800 units at a seasonally adjusted annual rate. Still, the total for the first six months of

Housing Starts QUEBEC

units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

1997 is 13 per cent higher than for the same period last year.

The mainstay of residential construction was detached, semi-detached and row units, which were 10 per cent higher in the second quarter of 1997 than last year. There was a 21 per cent increase in starts in large centres, while rural regions suffered a drop of 4 per cent.

The resale market maintained a good rhythm, even compared to the record high of 1996. MLS transactions were 19 per cent higher this year than in the second quarter of 1996. The market is still dominated by first-time buyers. There is a large stock of houses for sale, and many more sellers than buyers, except in a few privileged regions.

The current buyer's market is gradually trending towards a more balanced market. The average unit resale price has begun to increase slightly and reached the \$100,000 level for the first time in two years during the second quarter of 1997.

1997-98 Outlook

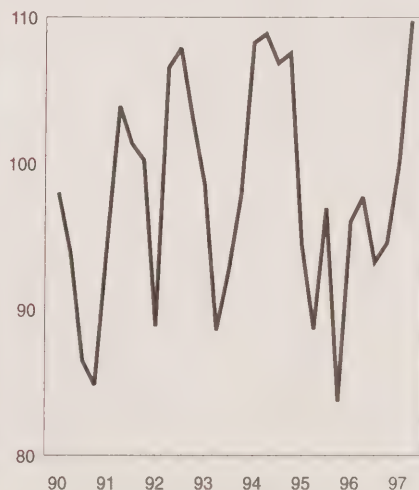
A rise of nearly 10 per cent in the Consumer Confidence Index this quarter shows that increased real estate activity in Quebec is based on renewed consumer confidence. According to the most recent Conference Board of Canada study, more than 57 per cent of consumers are again ready to buy durable goods, such as houses and cars.

Consumer optimism is based partly on relatively stable, low interest rates and partly on an employment market that is performing very well by recent standards. During the first six months of this year, Quebec's economy created 21,500 more net jobs than last year. Manufacturing industries, sustained by exports and increased consumer sales, led the way, especially with full time jobs.

Recent data show little change in international and interprovincial migration trends. In the first quarter of this year, Quebec's population increased by 1,754, compared with 20,877 in Ontario and 9,321 in British Columbia. Job creation in Quebec

Consumer confidence hits 7-year high QUEBEC

(Index, 1991=100 seasonally adjusted)



SOURCE: Conference Board of Canada

should encourage more interprovincial migration and limit the departure of Quebecers searching for jobs elsewhere in Canada.

Residential construction in 1997-98 will depend on activity in large centres

In a departure from previous years, residential construction in Quebec will be strongest in large centres. Quebec municipalities of fewer than 10,000 people, which were responsible for nearly 35 per cent of residential construction in 1996, have accounted for only 23 per cent in 1997. Increased activity in large centres is the result of lower priced downtown lots, reduction in municipal taxes and some modification to zoning to allow construction of units for young families.

Starts should increase by 14 per cent in 1997 to reach 26,500 units, and by another 4 per cent in 1998 to 27,500 units. The cycle of residential construction will thus go through at least three years of consecutive increases. The upturn in real estate markets is explained by the improved economy, greater consumer confidence and especially low mortgage financing costs. The performance of Quebec's economy during the second quarter allows for more optimism, particularly in light of improved employment prospects and the expressed desire of young families to purchase homes. Furthermore, although debt load is relatively high in Quebec, low interest rates allow households to contract new loans.

Even with a slight increase to 3,200 units in 1997 and 3,500 units in 1998, rental starts will remain low. Rental construction in Quebec is mostly initiated by small investors, which explains the importance of the Plex market (see box). The small number of new rental units will allow the existing market to gradually sell

PLEXES: ONE OF THE STRENGTHS ON THE MONTRÉAL REAL ESTATE MARKET

A survey soon to be published will provide a better understanding of the largest market of small rental structures in the country. In Montréal, properties comprising two to five housing units, commonly known as plexes, have achieved an enviable rental performance, with a vacancy rate of 3.9 per cent. Buildings with six or more units are posting a rate of 6.1 per cent.

Location has a major impact on rental rates. Vacancy rates in different parts of the city vary considerably because of economic, social and demographic conditions. As a result, renters and investors alike should carefully examine the strengths and weaknesses of specific locations before making a choice.

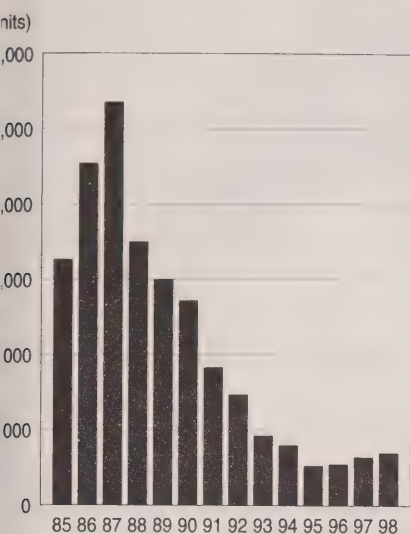
Successful landlords will improve the quality of their products and services and foster good relations with tenants. Resident landlords can be expected to put more effort into affecting their tenants' surroundings by improving their own living environments. As a result, there are lower vacancy rates in plexes occupied by their owners (3.2 per cent) than in those held by investors (4.9 per cent).

Renovations are likely to make rental units more popular. The survey found that the vacancy rate is only 2.9 per cent in plexes where the overall quality of the building was deemed high, but that it rises to 4.1 per cent in those rated average and to 5.8 per cent in poor quality structures. Renters appear to be sensitive to quality and are ready to pay higher rents for renovated units.

Survey results also indicate that basement apartments are more difficult to rent, large units are favoured by renters, and resident landlords own two thirds of all plexes.

This survey, conducted late last summer, contains a wealth of statistical information that will be of interest to both owners and observers in the plex market. It was made possible by a partnership between Canada Mortgage and Housing Corporation (CMHC), the Corporation des propriétaires immobiliers du Québec (CORPIQ) and the City of Montréal. Over 3,000 owners of plexes in Montréal were surveyed. ■

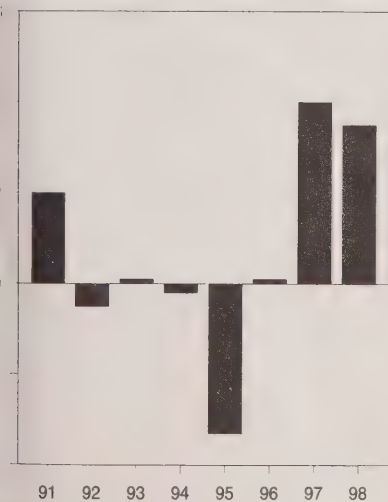
New rental starts QUEBEC



SOURCE: CMHC.
1997-98 Forecast.

Average MLS price of existing homes QUEBEC

(percentage change)



SOURCE: Canadian Real Estate Association.
1997-98 Forecast by CMHC.

off the surplus accumulated during the 1980s. The vacancy rate will fall to 5.7 per cent in October 1997 and to 5.2 per cent in 1998. Lower mortgage rates and a slight increase in rents (less than 2 per cent) will make real estate investments more profitable.

Finally, construction of condominiums will increase marginally, by nearly 2,200 units in 1997 and 2,300 in 1998. Aging baby-boomers promise future opportunities for the condominium market. But this market must still deal with a stock of used units which are once again being offered for sale. Condominiums will gain in popularity for the rest of the decade.

Homes for the elderly are once again surfacing as an investment. The market regained a certain equilibrium in 1996 and a few construction projects are expected in Montréal and Québec this year and next.

tailor-made houses is slowly returning, stimulated by home owners who have sold their houses. This trend will increase in 1998 because the resale market will remain dynamic.

The resale market will continue the upward trend that began last year: MLS sales are forecast to increase by 5 per cent this year and by 3 per cent in 1998. With a stock of affordably priced units, the resale market is mostly aimed at first-time buyers. More than 70 per cent of houses sold go for less than \$100,000. The trend toward a market more balanced between sellers and buyers will encourage an increase in real estate values of between 3.5 and 4 per cent in 1997 and 1998. ■

Residential market meets the needs of young families

The residential market has changed to meet the needs of young families. More than 60 per cent of new detached units are sold for less than \$120,000. Builders will manage to offer units in this price range even in larger centres. Demand for

Key Provincial Indicators

| QUEBEC | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | 1.2 | 2.4 | 3.0 |
| Employment (% Change) | 0.3 | 0.7 | 1.1 |
| Unemployment Rate (%) | 11.8 | 12.1 | 11.6 |
| Housing Starts (Units) | | | |
| Total | 23220 | 26500 | 27500 |
| Singles | 14818 | 16512 | 17300 |
| Multiples | 8402 | 9988 | 10200 |
| MLS Sales (Units) | 38031 | 39950 | 41250 |
| Average MLS Price (Dollars) | 98922 | 102900 | 106500 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC

Ontario

by Alex Meadow



Highlights

- Mortgage carrying costs very affordable
- Home resales strong, home prices move up
- Second quarter new home construction pauses
- Faster jobs growth will boost housing demand
- Fundamentals suggest home starts will grow

First half of 1997 review — strong housing activity with a pause in the second quarter

After four consecutive quarters of uninterrupted growth, Ontario's housing starts edged down by 6.6 per cent in the second quarter to a seasonally adjusted annual rate of 52,200 from 55,900 in the first quarter. A retreat in single-detached home starts from a spectacular surge in the first quarter was responsible for most of the decline. Multiple home starts also edged down. Despite the decline, the second quarter was the second strongest home starts quarter in five years. Actual housing starts were 26 per cent higher than in the second quarter of 1996.

Second quarter home resales are down from impressive levels at the start of the year. Consumer optimism

and low mortgage carrying costs continue to keep resales high. Home resales set a new record last year, and performance in the first half of 1997 is well ahead of the same period last year. So is the province's average resale home price.

First-time home buyers are very cost sensitive and tend to purchase resale homes, but great affordability has allowed more first-time buyers to opt for new homes. CMHC's Ontario First Home Loan Insurance statistics show that the share of five-per-cent-down home buyers purchasing new homes has increased to one in six in the first part of 1997 from one in 11 in 1992.

Ontario's economic fundamentals point to improvements in housing demand. Jobs are growing faster. Interest rates will edge up only slightly and will remain low enough to stimulate businesses and consumers alike. Ontario's second quarter Index of Consumer Attitudes is already at its highest level in over eight years and further increases are likely along with advances in wages, salaries and full-time jobs.

Numerous other economic indicators have turned or are moving upwards. Passenger vehicle sales, retail sales, shipments of manufacturing industries and the Help Wanted Index are all climbing. Over half of Ontario's manufacturing industries reported rising new order levels.

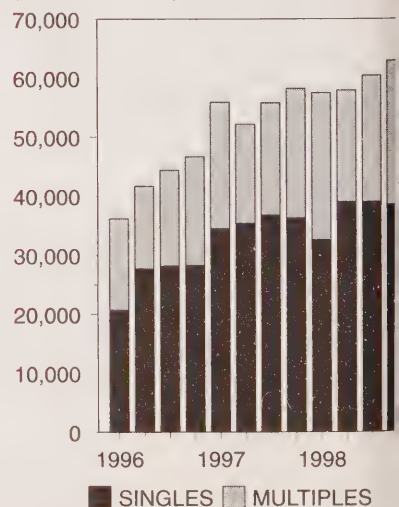
On the supply side, inventories of unsold new homes are modest to moderate and not likely to cause any construction slowdowns. The home construction components of New Home Price Indexes for major metropolitan areas and of new Apartment Building Construction Price Indexes show that home construction costs have started to edge up.

Ontario Migration — moderately high levels will support housing demand

Demographic pressures on housing will remain moderately strong.

Housing Starts ONTARIO

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Provincial housing demand, generated by population growth of over a million since the beginning of the decade, was tempered by severe job losses at the beginning of the nineties and by slower than usual growth since 1992. But now, as the pace of economic growth picks up, there will be some improvement in household formation.

Migration contributes slightly more than half of Ontario's population growth, and this rate will increase. Net migration to the province dropped by a third in 1996 as a result of non-resident and

interprovincial outflows to better labour markets elsewhere.

Net migration to Ontario is expected to edge back up to levels on the moderately high side. The province's social and ethnic networks are very attractive to Canada's newcomers and will keep net international migration high. Traditionally, Ontario gets slightly over half of Canada's immigrants. In addition, significant improvement in Ontario's labour markets will reduce the numbers of job seekers leaving the province for other parts of Canada.

Maximum rent increases set to three per cent

Ontario's housing minister has announced that next year's rent-control guideline, which applies to any rent increases between January 1, 1998, and December 31, 1998, will rise to three per cent from 2.8 per cent this year. Increases above the rent-control guideline require approval from a rent officer.

The provincial government is considering new legislation that would allow landlords to raise rents

Ontario's population is growing at a healthy clip

Population growth is a key housing demand factor. The more people there are, the more homes are needed to house them. Despite a sizable net migration drop last year, Ontario's population is growing at a healthy clip (see graph at left, below). We predict that net migration to Ontario will pick up in the next two years and will contribute a noticeably larger share of population growth than the natural increase of the population (births minus deaths).

Not all arrivals form new households. Many new residents move in with others and go their separate ways after they become established. Initial migrant demand tends to be for rental, and shifts to home ownership often occur several years later. Thus the migration spike of the late 1980s is still affecting housing markets today.

Net migration to a province is the result of four components: net international migration (immigration less emigration); net interprovincial migration (in minus out); net nonresident migration; and returning Canadians.

The largest migratory inflow into Ontario comes from net international migration. With its attractive social and ethnic networks, Ontario has been receiving more than half of Canada's heavy flow of immigrants since the late 1980s.

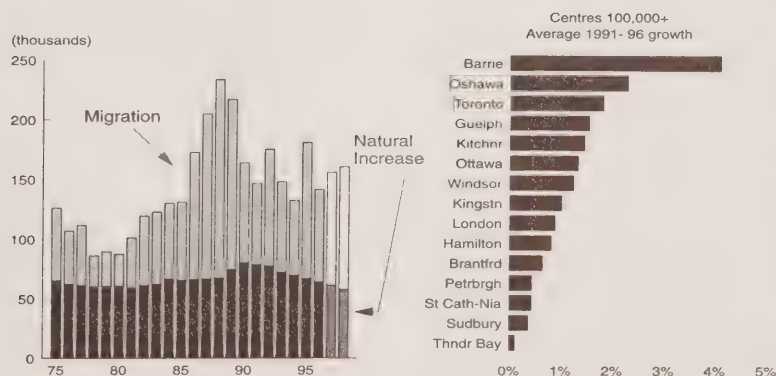
Net outflows of nonresident and net interprovincial migration have been slightly offsetting the strong international inflow. Ontario has been losing migrants interprovincially to

western Canada since 1989 because of better labour market conditions there.

The natural increase of Ontario's population will be growing at a slower pace. The natural increase of population, however, is not very relevant to housing demand until newborns mature. Thus the flat natural increase of the population that occurred in the 1980s is affecting housing demand late in this decade.

The graph shows population growth in Ontario centres with a population of 100,000 or more (1996 Census). Barrie, Oshawa, and Toronto had the strongest population growth. Oshawa growth was helped by a flow of migrants working in Toronto. Guelph, Kitchener, Ottawa and Windsor also had reasonable growth. ■

Population growth ONTARIO



SOURCES: Statistics Canada, Demography Division.
CMHC forecasts.

above the rent-control limit on vacant units. The cap would apply again once new tenants move in.

1997-98 Outlook

Home starts will reach five year high

The rise in new home prices in most of Ontario's major centres set the stage for stepped up home construction. Total home starts will jump by almost 30 per cent, to 55,500 in 1997 and to 60,000 in 1998. Both single and multiple family starts will rise as improved employment prospects will encourage individuals to form their own households and nudge vacancy rates down. Inventories of newly constructed unsold multiple units are low, so that demand for townhomes and condominiums will be met with new construction.

Ultimately, the health of existing home markets set the stage for new construction. Record resale activity in most of Ontario's centres at the end of 1996 and early 1997 pushed market classification indicators such as sales-to-new listings ratios well into seller's ranges. They have come down since. Sales-to-new listings ratios in most Ontario centres are now straddling the boundaries between balanced and seller's markets, running slightly higher in Toronto and adjacent centres. These levels suggest that there will be further home price increases in the second half of 1997, but they will be more modest than in the first half of the year. This year's increase in the average annual resale price will outpace the general rate of inflation by roughly three times. A slight shift to more expensive move-up home purchases will account for a part of that increase. Next year's resale price increase is expected to be closer to the general rate of inflation.

Affordable mortgage carrying costs coupled with job growth will lift this year's resale numbers above last year's record. Even higher resale numbers are anticipated in 1998.

Migration patterns and population growth will explain a large part of the variation in rental vacancy rates across Ontario.

High immigration will keep vacancy rates relatively low in Toronto and in areas within commuting distance from Toronto, such as Hamilton, Kitchener and Oshawa. Windsor's job growth will keep its vacancy rate low. Higher vacancy rates are expected in Sudbury and London, followed by Thunder Bay and St. Catharines — centres that will experience net migration losses, slower than average population growth or slower than average job creation.

Vacancy rates in Ontario centres were relatively high during the latest available (October 1996) Rental Market survey. Rental construction has been on the decline throughout the 1990s and has virtually ceased since the second half of last year. There are several reasons for lower rental demand and high vacancy rates. First, the province's younger

renter population has shrunk — a trend that is about to reverse. Second, with high youth unemployment, those without jobs tended to double up or stay with their parents rather than rent. Third, with interest rates so low, home ownership is competitive with higher priced rentals and many potential renters have taken the plunge into home ownership. Finally, the 1995 welfare cuts have taken income away from just under a third of renter households. ■

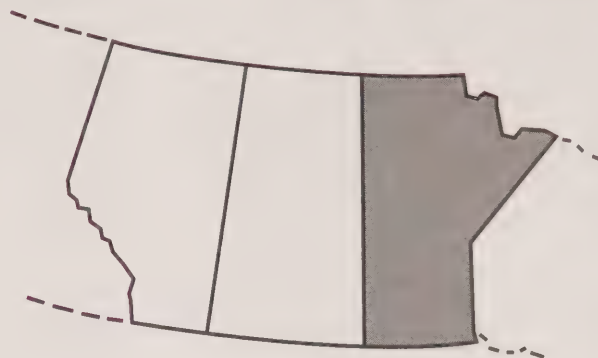
Key Provincial Indicators

| ONTARIO | 1996 | 1997(F) | 1998(F) |
|-----------------------------|--------|---------|---------|
| Real GDP (% Change) | 1.6 | 3.3 | 3.5 |
| Employment (% Change) | 1.5 | 1.7 | 2.2 |
| Unemployment Rate (%) | 9.1 | 8.8 | 8.5 |
| Housing Starts (Units) | | | |
| Total | 43062 | 55500 | 60000 |
| Singles | 27019 | 36000 | 38000 |
| Multiples | 16043 | 19500 | 22000 |
| MLS Sales (Units) | 138859 | 146000 | 150000 |
| Average MLS Price (Dollars) | 155576 | 165500 | 169000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC

Manitoba

by Richard Goatcher and Terry Kozak



Highlights

- Flood damage a net boost to economy
- New home market shows optimistic growth
- Another good year for resales

A strong first half for housing

Manitoba's housing markets, both new and resale, experienced stronger demand during the first half of 1997. In urban areas, total housing starts jumped by 38 per cent thanks to a strong recovery in singles production in Winnipeg and a

healthy pick-up in multiples construction. In rural areas, production during the second quarter slipped by 3 per cent in the aftermath of the spring Red River flood. However, provincial starts between April and June rose 7.8 per cent and lifted activity through mid-year by 17 per cent.

Resales enjoyed improved figures in the first quarter but demand softened in April and May, as people living near the Red River concentrated on flood containment instead of shopping for housing. Average resale prices have seen little change this year, in contrast to 1996, when buyers shifted toward move-up sales.

1997-98 Outlook

Manitoba economy strong despite flooding

Despite a record-breaking blizzard and the worst flood in over 100 years, Manitoba's economy continues to gain momentum. Job creation has improved since the fall and consumers have boosted their spending on big-ticket items. Total employment growth will average 2.0 per cent both this year and in 1998, but unemployment will remain high due to the rise in job seekers.

The economy will benefit from continued expansion in the manufacturing sector (aerospace, transportation, farm equipment) and service industries such as retailing, communications and business services. The number of call centres in the

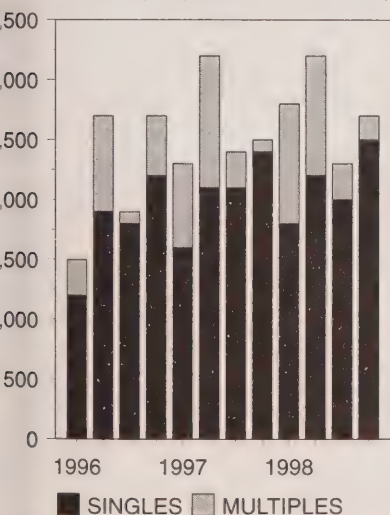
province continues to rapidly expand. A planned multi-million dollar expansion at the New Flyer Industries bus plant at Trascona will create 200 jobs and increase production by 40 per cent. Meanwhile, employment at Boeing Canada Technologies continues to expand as the parent company in Seattle races to keep up with strong world demand for airliners. In addition, more than \$1 billion could be spent in Manitoba over the next three years if TransCanada Pipelines gets approval for a major expansion.

Changes to Canada's grain transportation system are having major effects on Manitoba's agricultural economy. With farmers modifying their existing operations by refinancing existing debt, buying land and livestock and diversifying their operations, new loans at the Manitoba Agricultural Credit Corporation reached the third highest level in the company's 30-year history. A number of large inland grain terminals are under construction, and major expansions of pork processing facilities are planned. The port of Churchill will get a major boost from both land and port facility upgrades.

Increased housing demand and tighter markets for industrial and warehouse space in Winnipeg will also translate into greater construction activity. Repairing damage from last summer's hail and this year's floods in near 1,700 homes, as well as businesses, farms and infrastructure, will result in a substantial boom for building products suppliers and construction trades. In 1998,

Housing Starts MANITOBA

(Units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Winnipeg's economy will feel the full effects of non-residential spending associated with the 1999 Pan-American games.

With continued belt-tightening, the public sector will not stimulate the economy much. Cuts this year will hit areas such as health care, social assistance, and post-secondary and public school funding. Many municipalities, financially squeezed by higher than average spending on flood control, have announced various cutbacks to avoid tax increases.

A better year for both new and resale housing in '97

On the heels of last year's 20 per cent gain, single-detached starts will increase another 11 per cent this year. Nowhere will the improvement be more dramatic than in the city of Winnipeg, where, after two successive years of weak activity, a stronger economy and growing consumer optimism will increase home-building volumes substantially.

Production of single-detached units in the first six months exceeded our expectations in urban areas, with an increase of over 48 per cent. This spring, inventories were down substantially and buyer traffic was up. May's unsold inventory of new singles in Winnipeg stood at 151 units, down by 42 per cent from the new stock on hand in May 1996. Meanwhile, absorptions during the first five months of the year increased by 47 per cent, to 372 units.

In rural areas, activity slipped 3 per cent in the second quarter, tempering the increase in mid-year activity across the province to 17 per cent. Following this year's advance, total new singles will reach 2,150 units in 1998, representing a 3.6 per cent gain.

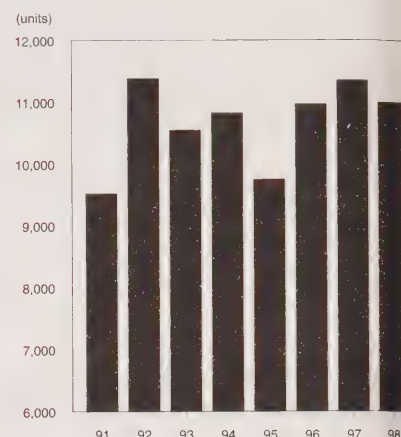
Multiples production surged in the first half, rising by 35 per cent to 374 units. Much of the activity was in Winnipeg, where seniors' life lease high-rises and medium-density condominiums dominated the market.

Vacancies in market rentals remain high in Winnipeg, particularly downtown. As a result, most of the new apartments and townhouses are in the suburban districts, where vacancies are lower. Total production across Manitoba should reach 500 units this year and climb to 550 in 1998.

Manitoba's residential resale markets are on track to approach the previous peak level set in 1992. Traffic was brisk in the early months of 1997, but throttled back in April and May with concerns about flooding. Unlike activity in last year's Manitoba resale market, which did not begin to show strength until May, the 1997 year-to-date total was up 5.6 per cent by May. Consequently, the improvement in this year's numbers will begin to flatten out as we reach the summer months. Sales this year should approach 11,350 units, up 3.5 per cent from last year's strong performance. In 1998, mortgage rate increases and slightly higher prices will cause resales to drift lower.

Price increases were muted early this year by stronger sales in lower-priced units. To the end of May, average residential sales prices were off slightly, to \$85,263. While average prices rose by over 4 per cent last year thanks to stronger trade-up sales, this year prices will advance by only 2 per cent to \$87,000, with more move-up sales in the second half of the year.

Strong MLS sales in 1997-98 MANITOBA



SOURCE: Canadian Real Estate Association. 1997-98 forecast by CMHC.

Prices will plateau in 1998, reaching \$88,000.

Condominium sales on Winnipeg's MLS continue to maintain the momentum of 1996. Following a 24 per cent gain last year, sales advanced by another 20 per cent in the first five months of 1997. Sales volumes surged in the first quarter but backed off with the floods in April and May. Average resale prices have advanced by four per cent, to just shy of \$72,000, as a result of stronger sales of higher priced units in Tuxedo. ■

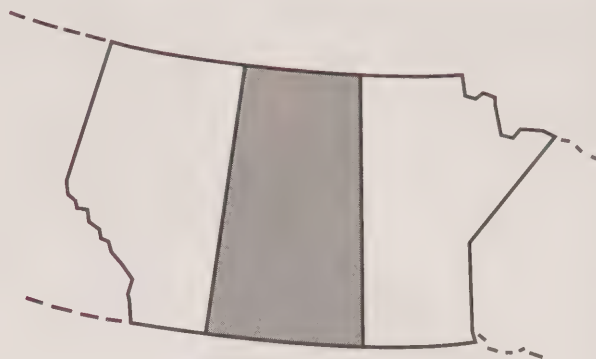
Key Provincial Indicators

| MANITOBA | 1996 | 1997(F) | 1998(F) |
|-----------------------------|-------|---------|---------|
| Real GDP (% Change) | 2.9 | 3.3 | 2.0 |
| Employment (% Change) | 1.0 | 2.0 | 2.0 |
| Unemployment Rate (%) | 7.5 | 6.9 | 6.7 |
| Housing Starts (Units) | | | |
| Total | 2318 | 2575 | 2700 |
| Singles | 1875 | 2075 | 2150 |
| Multiples | 443 | 500 | 550 |
| MLS Sales (Units) | 10965 | 11350 | 11000 |
| Average MLS Price (Dollars) | 85316 | 87000 | 88000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Saskatchewan

by Paul Caton and Todd Selby



Highlights

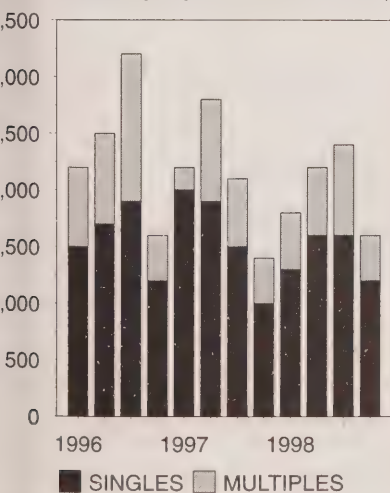
- Seller's market continues in resales
- Economic prospects encouraging
- Wage increases renew consumer confidence
- Net population loss expected

Housing markets remain active

Last year's strong momentum in Saskatchewan's housing markets has been maintained. Although sales of existing homes have slipped slightly this year, resales are just 2 per cent below the record-setting pace of 1996. Continued

Housing Starts SASKATCHEWAN

Units, seasonally adjusted at annual rate)



SOURCE: CMHC.
97-98 Forecast.

low average vacancies have given landlords the confidence to increase rents for the first time in several years. But, with almost half of Saskatchewan's renters able to afford homes, many rental households are exploring the option of buying. Low mortgage rates, a healthy job market and average weekly earnings up 8 per cent so far this year have helped to raise consumer confidence. These factors have contributed to the steady demand for housing in the province.

As demand remained healthy, the supply of resale homes had difficulty keeping up. Resale listings continued their downward trend during the first half of 1997, resulting in little choice for prospective home buyers and contributing to the modest decline in existing home sales. Many home owners are remaining in their homes and exploring renovation as an alternative to moving up. This has left many subdivisions in the larger centres of the province with short supply in the face of rising demand. Evidence of seller's market conditions is seen in the 9 per cent increase in the average house price. Cities such as Regina, Prince Albert, and Estevan, where house prices have been flat in recent years, are beginning to show the same growth that Saskatoon has seen.

Offsetting the decline in resales is the continued strong performance of the new home market. Last year represented the best year for home builders since 1988, and construction at mid-year 1997 was 4 per cent above 1996's performance. Rising resale house prices have narrowed the gap between new and existing homes, making new homes more attractive to the home buyer. More importantly, the shortage of resale

listings has made many home buyers look toward the new home market. Finally, the upper end of the move-up market has been tapped out for a couple of years now, and home builders are offering more modest homes that are attractive to a wider range of the market. Although Saskatoon continues to lead the province in house construction, it is below the pace set in 1996. Rather, the growth in housing starts is a result of increased activity in Regina, Estevan, Prince Albert, Swift Current and Yorkton.

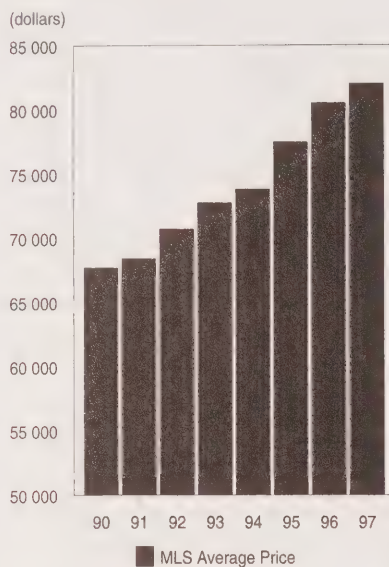
1997-98 Outlook

Oil and mining to fuel growth

Resource-based industries will again lead growth in 1997 and 1998. In 1996, there was almost \$3 billion in investment proposed or under way in the province. So far this year, total planned investment has reached \$7.3 billion, with \$3.7 billion expected in the oil industry and another \$1.9 billion in mining. There is currently \$449 million being invested in oil drilling and upgrades around the province. A proposed major pipeline investment of \$2.5 billion is expected to begin in 1998. This promises a healthy long-term outlook for the provincial economy.

Almost \$700 million will be spent over the next three years on industrial, institutional and residential projects around the province. In Regina, Ipsco expects to spend \$43 million on various projects, while in Saskatoon \$115 million is proposed for a particle beam accelerator for the University of Saskatchewan. On the agricultural front, Saskatchewan farmers have seeded a

MLS prices going upwards SASKATCHEWAN



SOURCE: Canadian Real Estate Association.
1997 CMHC forecast.

record 33.8 million acres for the 1997 season. This will lead to a strong rebound in realized net farm income, which dropped 36 per cent in 1996.

Notwithstanding the abundance of good prospects for the Saskatchewan economy, the migration picture is forecast to take a turn for the worse. A boom in the Alberta economy is attracting Saskatchewan residents. Preliminary numbers show a net loss of 1,043 people during the first three months of the year. Early indications are that increases in international migration will only partially offset the outflow to Alberta, leading to a net loss of almost 1,200 people for 1997. With the boom expected to continue in Alberta, another net loss of 950 people can be expected in 1998.

Resale markets to slow in '97

After a record year in 1996, the pace of sales for existing homes will retreat to a still strong 8,175 sales this year. Much of the previous pent-up demand was met in 1996, and real estate business is returning to a more steady pace than last year's. Contributing to the decline in sales will be the net loss of 1,200 people through a reversal in recent migration patterns, along with the persistent

shortage of good quality listings. Many home buyers around the province are finding out what many real estate agents have known for a couple of years now: There is not much existing housing for sale.

With demand expected to remain healthy and supply forecast to continue to fall, seller's market conditions will persist throughout much of the province. With many resale markets favouring sellers, resale house prices will show some healthy gains in 1997 and 1998. The average price of homes sold through local real estate boards around Saskatchewan will top \$80,000 this year and will reach \$82,000 in 1998. Price growth for modest homes priced between \$70,000 and \$120,000 will be the most significant. There will be an acute shortage of listings because homes in this range are popular with first- and second-time buyers.

Pace of homebuilding to slow

The shortage of listings on the resale market will translate into increased opportunities for home builders in Saskatchewan. However, new house construction will see a modest decline in the later stages of 1997, not because of a lack of demand, but because labour shortages among the trades will make it difficult for builders to keep up with demand, especially in Saskatoon. Many tradespeople have already moved to Alberta, where work is currently plentiful and wages are growing rapidly, and others are considering moving. The

loss of these workers will mean longer delays for completion of a new home and an increase in the cost of building as wages increase in an effort to keep the trades in the province. Although the new home market will see fewer starts in 1997, single family starts will remain strong for the remainder of the year and come close to maintaining the level reached in 1996.

Much of the forecast decline in house construction will come from a modest slowdown in condominium activity in Saskatoon. A large inventory of newly completed condominiums combined with several projects currently under construction in Saskatoon will limit the gains forecast in Regina and some of the other smaller centres in Saskatchewan.

Look for rising rents

Despite a forecast increase in the vacancy rate in Saskatchewan, the rental market will remain undersupplied in the foreseeable future. Market rents have yet to reach the point where developers feel comfortable committing to a rental project. No new rental stock is forecast for 1997 and average vacancy rates in Regina and Saskatoon will remain below 2 per cent. This will lead to another round of rent increases this year. Average rents showed some modest growth in 1996, and indications are that average rents will grow by at least 2 per cent this year and next. With regular rent increases expected, look for developers to turn their attention to new apartment construction in 1998. ■

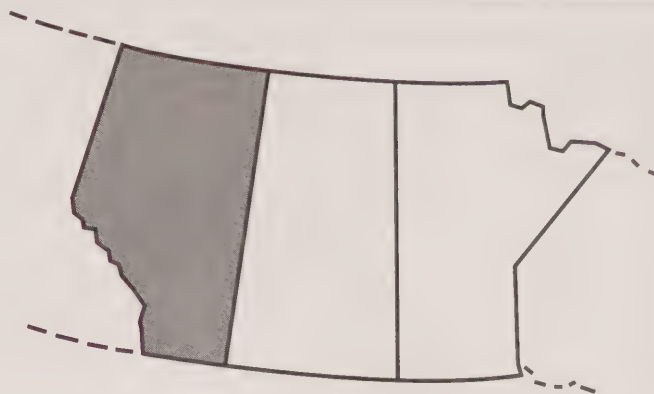
Key Provincial Indicators

| SASKATCHEWAN | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|-------|---------------------|---------------------|
| Real GDP (% Change) | 3.6 | 2.7 | 2.3 |
| Employment (% Change) | 0.2 | 1.7 | 1.1 |
| Unemployment Rate (%) | 6.6 | 6.6 | 6.5 |
| Housing Starts (Units) | | | |
| Total | 2438 | 2115 | 1990 |
| Singles | 1612 | 1540 | 1415 |
| Multiples | 826 | 575 | 575 |
| MLS Sales (Units) | 8689 | 8175 | 7640 |
| Average MLS Price (Dollars) | 77476 | 80500 | 82000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Alberta

by Elizabeth Woodman and Karla Spilsted



Highlights

- Strong job creation and migration fuel housing demand
- Housing starts and MLS sales hit 16 year high
- Low inventories push prices up

First half of '97 exceeds expectations

Alberta's housing markets brought in a strong performance in the first half of the year, with MLS sales up 19 per cent and housing starts up 55 per cent. The latter was the strongest first-half performance for new home construction since 1983. Although

housing demand generally slows during the winter, buoyant consumer confidence and the lowest mortgage rates in 32 years ignited home sales in the first quarter. Low mortgage rates and affordable house prices attracted first-time buyers while solid job creation increased demand for higher priced homes. Strong in-migration from other provinces also stimulated housing demand, contributing to active real estate markets across the province.

Existing home sales increased in all major markets in the province, and Calgary and Edmonton are both on track for a record year. In Calgary, the ratio of sales-to-active listings has been over 35 per cent since January. This combination of strong demand and reduced listings contributed to a 9 per cent hike in single-family prices in the first six months. A combination of low mortgage rates, an improving economy and an abundant supply of affordable housing boosted MLS sales 11 per cent in Edmonton, setting the stage for an all-time high in sales of existing homes. Also contributing to stronger sales is higher in-migration, in part from the second phase of the expansion of Canadian Forces Base Edmonton, but also due to strong employment growth.

In the first half, 4,201 single-family homes were started in Calgary, up 60 per cent over 1996 and the second-best performance of any major city in Canada. (Toronto had 6,030 single starts.) Construction of multiple-family homes reached 1,140 starts during the first six months of the year, up 134 per cent over 1996. Calgary accounted for 61 per cent of urban starts in Alberta.

Although housing starts in Edmonton increased by a solid 49 per cent, activity was still below the average for the past 10 years. Construction has been limited by high inventories of resale homes, which have been declining for the past year, but are still only 1,100 units shy of the record high set in July 1994.

Demand for housing is also strong in the areas outside Calgary and Edmonton. Significant economic expansion in Fort McMurray, Grande Prairie, Red Deer, Canmore and Brooks has increased sales and tightened the supply of rental housing. Housing starts in smaller centres were 29 per cent higher in the first half of 1997 than in the same period last year.

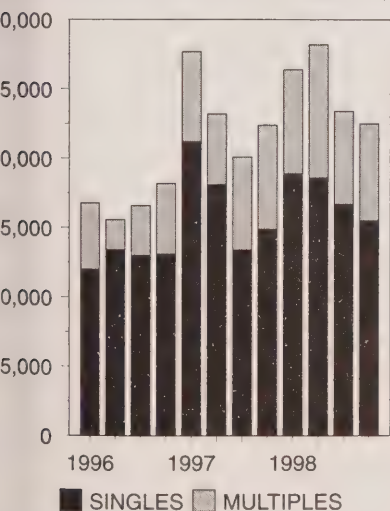
1997-98 Outlook

Alberta leading new boom

Alberta's economy will be one of the strongest in the country over the forecast period, with growth in real GDP of five per cent this year and four per cent in 1998. Growth will be broad based, with energy, construction and manufacturing leading the way. Oil and gas continue to dominate the economy, with a record level of wells drilled this year and only a modestly lower level of activity expected next year. Exports of natural gas should improve considerably as pipeline capacity expands. Overshadowing conventional oil and gas activity, however, is several billion dollars of investment in oil sands projects in northern Alberta. Several large-scale

Housing Starts ALBERTA

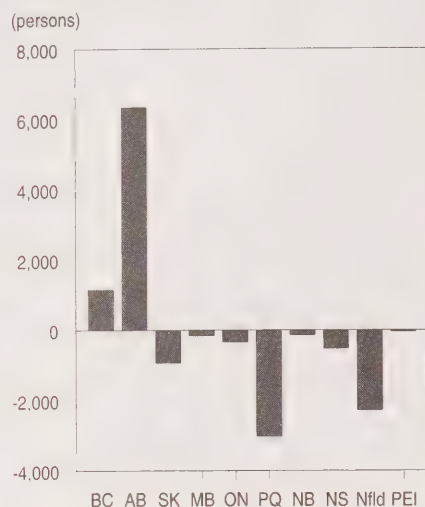
(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Alberta leads in interprovincial migration

First quarter 1997



SOURCE: Statistics Canada.

projects will hit full stride next year, creating a surge in non-residential construction and increasing spending on equipment and materials.

Since our last forecast, Mobil and Shell have joined the flurry of activity in the Fort McMurray oil sands, announcing projects worth \$1 billion each. Plans for pipelines to handle the increased production in the Athabasca oil sands have finally been set. Husky Oil and Alberta Energy will build a \$400 million heavy oil pipeline while Suncor and IPL will begin construction this year on a \$325 million heavy oil pipeline. These new projects are an addition to the over \$7.8 billion of investment already slated to occur over the next five years. In the petrochemical sector, Amoco Canada announced plans to invest \$500 million on a plant in Joffre, boosting total investment in petrochemical plants over the next two to three years to over \$3 billion.

Growth in average weekly earnings and retail sales so far in 1997 indicates that consumers will contribute to economic expansion over the forecast period. During the past several years this factor has lagged behind other components of the economy.

Alberta's powerhouse economic performance is creating jobs at a breakneck pace. Employment surged ahead during the first half of this year, posting the biggest six-month advances ever recorded. Compared to last year, there were an estimated 33,000 more jobs province-wide. The buoyant job market is luring previously discouraged workers back into the labour market and attracting new people to the province. Over the balance of 1997, employment is expected to rise by 50,000 jobs. The rate of growth won't slacken in 1998 - a further 55,000 jobs are expected.

The buoyant job market is attracting people from other provinces. The first quarter of 1997 saw the highest level of migration to the province since 1981, with migrants moving into centres across the province. Migration is expected to remain strong over the forecast period and to increase demand for all types of housing.

Housing demand continues to break records

A 36 per cent improvement in residential construction is expected this year, to 22,700 units, with strong growth in single-family starts and a recovery in the multiple-family market that will boost multiple starts by 72 per cent. Next year, strong demand for condominiums and rental housing will

push multiple-family construction to a 16-year high of 7,700 units. The single-family home market will strengthen next year as well, reaching a forecast of 17,300, a 17-year high. Strong performances in Calgary and Edmonton will be echoed in smaller centres, where economic growth will fuel demand for housing.

Resale markets will turn in a record-breaking performance in 1997. Sales volumes will end the year at 43,000, up 15 per cent over 1996. In 1998, sales will dip slightly to 42,000 as reduced listings shift demand towards the new home market. Strong sales coupled with low inventories of listings in most centres will increase average selling price by 5 per cent in 1997 and 4 per cent in 1998. The average price of \$124,000 will represent a new record.

The construction of major projects will draw people to the province and increase the demand for rental housing in Fort McMurray, Brooks, Grande Prairie, Canmore and Red Deer. While Edmonton's rental market continues to recover, Calgary will see its vacancy rate stay below 1 per cent. Tighter conditions in the rental market will result in rental increases. ■

Key Provincial Indicators

| ALBERTA | 1996 | 1997(F) | 1998(F) |
|-----------------------------|--------|---------|---------|
| Real GDP (% Change) | 2.9 | 5.1 | 4.0 |
| Employment (% Change) | 2.9 | 3.5 | 3.8 |
| Unemployment Rate (%) | 7.0 | 6.5 | 6.0 |
| Housing Starts (Units) | | | |
| Total | 16665 | 22705 | 24900 |
| Singles | 12949 | 16305 | 17200 |
| Multiples | 3716 | 6400 | 7700 |
| MLS Sales (Units) | 37485 | 43000 | 42000 |
| Average MLS Price (Dollars) | 117672 | 124000 | 129000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

British Columbia

by Ray Toscani and Don Renaud



Highlights

- Affordable housing drives market
- Prices show modest appreciation
- Gains expected in all housing sectors
- Economic momentum will carry into 1998

While lower mortgage rates have had a positive effect on the province's housing markets, most of the improvement in residential MLS sales has been the result of seasonal factors. On a seasonally adjusted basis, MLS sales declined sharply during the last few months of 1996 and the first quarter of 1997. Resale activity rebounded in April and now appears to have levelled off. Resale prices also declined throughout the second half of 1996, as a result of increased activity at the lower end of the market and a drop in real prices. In the early months of 1997, prices have returned to where they were a year ago.

Inventories have been steadily declining as mortgage rates remain low. This has set the stage for a marked improvement in residential construction activity around the province. However, while the pace of construction is somewhat higher than last year, it has yet to demonstrate a substantial turnaround.

Housing starts registered a dismal performance in the first quarter, but

both single-detached units and multiples improved dramatically during the second quarter, with 8,229 new starts.

According to the New House Price Index, new house prices have stabilized and remained unchanged for the past several months. This, coupled with a reduction in inventory, indicates that some modest price appreciation can occur through year end.

1997-98 Outlook

Economic growth continues

After a year of little growth, a general recovery is expected to take place in British Columbia in 1997. New growth will come mainly from a turnaround in the forestry and manufacturing sectors, which are expected to benefit greatly from improved forestry product prices. Although pulp and newsprint prices are currently weak, modest recovery is expected for both.

Domestic demand will remain fairly strong as a result of good population growth in the province, which will translate into higher consumer spending.

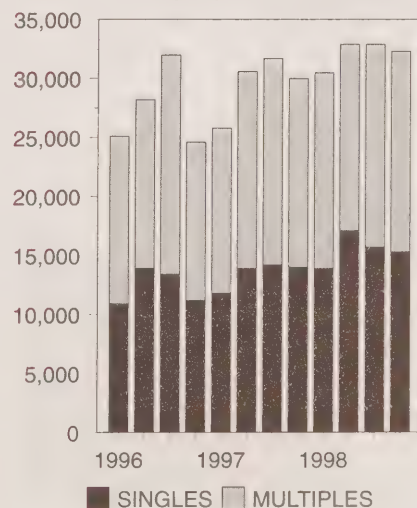
Consumer confidence is riding high, and the Conference Board's Index of Consumer Attitudes increased for the third consecutive survey. The percentage of those indicating that they think it is a good time to make a major purchase, such as a car or a home, was the highest level in ten years.

A recent rise in retail sales also points to a more robust economy. Total sales for the first five months of the year stand 5 per cent higher than for the same period a year ago.

According to Statistics Canada's survey of private and public investment intentions, B.C. is expected to increase spending on machinery and equipment to the tune of over 7 per cent this year. Extremely low vacancy rates in the retail and office markets will push non-residential construction higher this year, while strong tourism and low hotel vacancy rates will also lead to the construction of more hotel space.

Housing Starts BRITISH COLUMBIA

(units, seasonally adjusted at annual rate)



SOURCE: CMHC.
1997-98 Forecast.

Tourism continues to maintain its dominance in the B.C. economy. Hotel occupancies were up, as were the number of international visits to B.C. last year. The number of cruise ship passengers through Vancouver also rose to a record level of over 700,000.

Job losses in public administration and manufacturing were the main contributors to the decline in employment early in the year. However, employment growth for the remainder of the year is expected to be among the highest in the country. Improved performances in the province's primary sectors, combined with a recovering construction sector, will promote average annual employment growth of 2.2 per cent in 1997 and 1.9 per cent in 1998.

Resale market to remain strong

Lower prices and a prolonged period of low mortgage rates have increased sales of existing homes, and MLS sales should remain strong for the balance of the year. Residential MLS sales are forecast to reach 75,000 units in 1997, and to rise by a further 4 per cent to 78,000 in 1998. Gains are expected mostly in the Vancouver market. Victoria's resale market is forecast to be unchanged in 1997,

while areas such as Kelowna should post modest increases.

Increased sales and declining inventories have left most resale markets generally balanced in B.C. Average residential prices are expected to stabilize for the second half of the year after a substantial decline in late 1996 and a prompt turnaround during the first half of 1997.

Construction activity poised for turnaround

Construction will steadily improve in B.C. for the next 18 months. Total housing starts are expected to increase by 7 per cent in 1997 and 8 per cent in 1998. High consumer confidence, steady economic expansion and a continued influx of people will help propel the province's housing markets forward.

Buoyed by a healthy condominium market in Vancouver, new-home construction starts in British Columbia will reach 29,600 units in 1997 and 32,000 units in 1998. Condominium construction is expected to lead the way for the remainder of 1997, as first-time home buyers and move-up buyers alike take advantage of low mortgage rates. With more than a dozen major high-rise projects slated for Vancouver's downtown, activity is expected to continue unabated.

After reduced performance in the single-detached market over the past

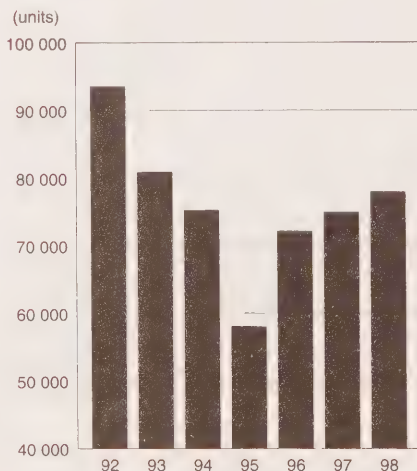
Inventory of unoccupied apartment condominiums declines BRITISH COLUMBIA



SOURCE: CMHC.

two years, land constraints stand in the way of major improvement. Higher development costs are also taking their toll in many areas of the province. Affordable housing is taking root in many communities in the form of small lot subdivisions. Larger homes are losing their appeal, particularly for foreign buyers, in areas like Vancouver's Westside and West Vancouver. ■

Housing resales move higher BRITISH COLUMBIA



SOURCE: Canadian Real Estate Association.
1997-98 CMHC forecast.

Key Provincial Indicators

| BRITISH COLUMBIA | 1996 | 1997 ^(F) | 1998 ^(F) |
|-----------------------------|--------|---------------------|---------------------|
| Real GDP (% Change) | 1.0 | 2.9 | 2.8 |
| Employment (% Change) | 2.5 | 2.2 | 1.9 |
| Unemployment Rate (%) | 8.9 | 8.6 | 8.7 |
| Housing Starts (Units) | | | |
| Total | 27641 | 29600 | 32000 |
| Singles | 12447 | 13520 | 15500 |
| Multiples | 15194 | 16000 | 16500 |
| MLS Sales (Units) | 72182 | 75000 | 78000 |
| Average MLS Price (Dollars) | 218687 | 220000 | 223000 |

SOURCES: CMHC, Canadian Real Estate Association and Statistics Canada.
(F) Forecast by CMHC.

Housing Starts

Total
(units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|--------|--------|--------|--------|--------|---------|---------|
| NFLD | 2271 | 2405 | 2243 | 1712 | 2034 | 1775 | 1950 |
| % | -19.9 | 5.9 | -6.7 | -23.7 | 18.8 | -12.7 | 9.9 |
| PEI | 644 | 645 | 669 | 422 | 554 | 460 | 490 |
| % | 16.5 | 0.2 | 3.7 | -36.9 | 31.3 | -17.0 | 6.5 |
| NS | 4673 | 4282 | 4748 | 4168 | 4059 | 4220 | 4350 |
| % | -9.7 | -8.4 | 10.9 | -12.2 | -2.6 | 4.0 | 3.1 |
| NB | 3310 | 3693 | 3203 | 2300 | 2722 | 2600 | 2900 |
| % | 15.3 | 11.6 | -13.3 | -28.2 | 18.3 | -4.5 | 11.5 |
| QUE | 38228 | 34015 | 34154 | 21885 | 23220 | 26500 | 27500 |
| % | -14.4 | -11.0 | 0.4 | -35.9 | 6.1 | 14.1 | 3.8 |
| ONT | 55772 | 45140 | 46645 | 35818 | 43062 | 55500 | 60000 |
| % | 5.6 | -19.1 | 3.3 | -23.2 | 20.2 | 28.9 | 8.1 |
| MAN | 2310 | 2425 | 3197 | 1963 | 2318 | 2575 | 2700 |
| % | 18.5 | 5.0 | 31.8 | -38.6 | 18.1 | 11.1 | 4.9 |
| SASK | 1869 | 1880 | 2098 | 1702 | 2438 | 2115 | 1990 |
| % | 87.3 | 0.6 | 11.6 | -18.9 | 43.2 | -13.2 | -5.9 |
| ALTA | 18573 | 18151 | 17692 | 13906 | 16665 | 22705 | 24900 |
| % | 48.7 | -2.3 | -2.5 | -21.4 | 19.8 | 36.2 | 9.7 |
| BC | 40621 | 42807 | 39408 | 27057 | 27641 | 29600 | 32000 |
| % | 27.4 | 5.4 | -7.9 | -31.3 | 2.2 | 7.1 | 8.1 |
| CAN | 168271 | 155443 | 154057 | 110933 | 124713 | *148100 | *158800 |
| % | 7.7 | -7.6 | -0.9 | -28.0 | 12.4 | 18.8 | 7.2 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 1611 | 1559 | 1455 | 1165 | 1395 | 1250 | 1375 |
| % | -24.5 | -3.2 | -6.7 | -19.9 | 19.7 | -10.4 | 10.0 |
| PEI | 421 | 460 | 454 | 364 | 430 | 380 | 400 |
| % | 12.0 | 9.3 | -1.3 | -19.8 | 18.1 | -11.6 | 5.3 |
| NS | 3232 | 3126 | 3358 | 3040 | 3278 | 3400 | 3400 |
| % | 24.1 | -3.3 | 7.4 | -9.5 | 7.8 | 3.7 | 0.0 |
| NB | 2391 | 2535 | 2547 | 1722 | 2173 | 2100 | 2300 |
| % | 11.0 | 6.0 | 0.5 | -32.4 | 26.2 | -3.4 | 9.5 |
| QUE | 18564 | 17136 | 18414 | 13428 | 14818 | 16512 | 17300 |
| % | -17.6 | -7.7 | 7.5 | -27.1 | 10.4 | 11.4 | 4.8 |
| ONT | 27868 | 26240 | 30036 | 20124 | 27019 | 36000 | 38000 |
| % | 6.0 | -5.8 | 14.5 | -33.0 | 34.3 | 33.2 | 5.6 |
| MAN | 1683 | 1874 | 2441 | 1564 | 1875 | 2075 | 2150 |
| % | 5.9 | 11.3 | 30.3 | -35.9 | 19.9 | 10.7 | 3.6 |
| SASK | 1484 | 1342 | 1542 | 1341 | 1612 | 1540 | 1415 |
| % | 91.5 | -9.6 | 14.9 | -13.0 | 20.2 | -4.5 | -8.1 |
| ALTA | 14125 | 13040 | 12671 | 10096 | 12949 | 16305 | 17200 |
| % | 44.5 | -7.7 | -2.8 | -20.3 | 28.3 | 25.9 | 5.5 |
| BC | 21472 | 17787 | 16591 | 11581 | 12447 | 13520 | 15500 |
| % | 17.1 | -17.2 | -6.7 | -30.2 | 7.5 | 8.6 | 14.6 |
| CAN | 92851 | 85099 | 89509 | 64425 | 77996 | *93100 | *99000 |
| % | 7.3 | -8.3 | 5.2 | -28.0 | 21.1 | 19.4 | 6.3 |

Multiples (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 660 | 846 | 788 | 547 | 639 | 525 | 575 |
| % | -5.8 | 28.2 | -6.9 | -30.6 | 16.8 | -17.8 | 9.5 |
| PEI | 223 | 185 | 215 | 58 | 124 | 80 | 90 |
| % | 26.0 | -17.0 | 16.2 | -73.0 | 113.8 | -35.5 | 12.5 |
| NS | 1441 | 1156 | 1390 | 1128 | 781 | 820 | 950 |
| % | -43.9 | -19.8 | 20.2 | -18.8 | -30.8 | 5.0 | 15.9 |
| NB | 919 | 1158 | 656 | 578 | 549 | 500 | 600 |
| % | 28.0 | 26.0 | -43.4 | -11.9 | -5.0 | -8.9 | 20.0 |
| QUE | 19664 | 16879 | 15740 | 8457 | 8402 | 9988 | 10200 |
| % | -11.1 | -14.2 | -6.7 | -46.3 | -0.7 | 18.9 | 2.1 |
| ONT | 27904 | 18900 | 16609 | 15694 | 16043 | 19500 | 22000 |
| % | 5.3 | -32.3 | -12.1 | -5.5 | 2.2 | 21.5 | 12.8 |
| MAN | 627 | 551 | 756 | 399 | 443 | 500 | 550 |
| % | 73.7 | -12.1 | 37.2 | -47.2 | 11.0 | 12.9 | 10.0 |
| SASK | 385 | 538 | 556 | 361 | 826 | 575 | 575 |
| % | 72.6 | 39.7 | 3.3 | -35.1 | 128.8 | -30.4 | 0.0 |
| ALTA | 4448 | 5111 | 5021 | 3810 | 3716 | 6400 | 7700 |
| % | 63.9 | 14.9 | -1.8 | -24.1 | -2.5 | 72.2 | 20.3 |
| BC | 19149 | 25020 | 22817 | 15476 | 15194 | 16080 | 16500 |
| % | 41.4 | 30.7 | -8.8 | -32.2 | -1.8 | 5.8 | 2.6 |
| CAN | 75420 | 70344 | 64548 | 46508 | 46717 | *55000 | *59700 |
| % | 8.3 | -6.7 | -8.2 | -27.9 | 0.4 | 17.7 | 8.5 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Multiples, by Area and Tenure (units)

| | | Centres 10,000 Population and Over | | | | | | Other Areas | All Other Areas |
|------|------|---------------------------------------|------|--------------|-------|--------|---------------|-------------|-----------------|
| | | Rental/Co-op Private Assisted | | Total Rental | Condo | Other* | Total 10,000+ | | |
| NFLD | 1996 | 52 | 0 | 52 | 30 | 476 | 558 | 81 | 639 |
| | 1997 | 30 | 0 | 30 | 40 | 430 | 500 | 25 | 525 |
| | 1998 | 25 | 0 | 25 | 72 | 388 | 485 | 90 | 575 |
| PEI | 1996 | 92 | 0 | 92 | 0 | 0 | 92 | 32 | 124 |
| | 1997 | 60 | 0 | 60 | 0 | 0 | 60 | 20 | 80 |
| | 1998 | 54 | 0 | 54 | 0 | 0 | 54 | 36 | 90 |
| NS | 1996 | 268 | 0 | 268 | 0 | 400 | 668 | 113 | 781 |
| | 1997 | 300 | 0 | 300 | 45 | 350 | 695 | 125 | 820 |
| | 1998 | 360 | 0 | 360 | 45 | 410 | 815 | 135 | 950 |
| NB | 1996 | 328 | 0 | 328 | 14 | 152 | 494 | 55 | 549 |
| | 1997 | 267 | 0 | 267 | 28 | 160 | 455 | 45 | 500 |
| | 1998 | 314 | 0 | 314 | 36 | 190 | 540 | 60 | 600 |
| QUE | 1996 | 2746 | 0 | 2746 | 1929 | 3214 | 7889 | 513 | 8402 |
| | 1997 | 3200 | 0 | 3200 | 2200 | 3900 | 9300 | 688 | 9988 |
| | 1998 | 3500 | 0 | 3500 | 2300 | 3600 | 9400 | 800 | 10200 |
| ONT | 1996 | 931 | 794 | 1725 | 6034 | 8101 | 15860 | 183 | 16043 |
| | 1997 | 700 | 0 | 700 | 8700 | 9200 | 18600 | 900 | 19500 |
| | 1998 | 2300 | 0 | 2300 | 9400 | 9100 | 20800 | 1200 | 22000 |
| MAN | 1996 | 45 | 0 | 45 | 252 | 0 | 297 | 146 | 443 |
| | 1997 | 275 | 0 | 275 | 100 | 0 | 375 | 125 | 500 |
| | 1998 | 250 | 0 | 250 | 160 | 0 | 410 | 140 | 550 |
| SASK | 1996 | 43 | 0 | 43 | 583 | 100 | 726 | 100 | 826 |
| | 1997 | 20 | 0 | 20 | 355 | 100 | 475 | 100 | 575 |
| | 1998 | 50 | 0 | 50 | 350 | 100 | 500 | 75 | 575 |
| ALTA | 1996 | 177 | 0 | 177 | 1909 | 404 | 2490 | 1226 | 3716 |
| | 1997 | 150 | 0 | 150 | 4055 | 500 | 4705 | 1695 | 6400 |
| | 1998 | 500 | 0 | 500 | 4435 | 900 | 5835 | 1865 | 7700 |
| BC | 1996 | 1250 | 258 | 1508 | 11973 | 953 | 14434 | 760 | 15194 |
| | 1997 | 800 | 250 | 1050 | 13132 | 1100 | 15282 | 800 | 16082 |
| | 1998 | 750 | 250 | 1000 | 13400 | 1200 | 15600 | 900 | 16500 |
| CAN | | | | | | | | | |
| | 1996 | 5932 | 1052 | 6984 | 24009 | 13800 | 43508 | 3209 | 46717 |
| | 1997 | 5802 | 250 | 6052 | 30355 | 15740 | 50447 | 4523 | **55000 |
| | 1998 | 8103 | 250 | 8353 | 31498 | 15888 | 54439 | 5301 | **59700 |

SOURCE: CMHC.

1996 Actual. 1997-98 Forecast.

* Includes homeowner and unclassified units.

** Total does not add due to rounding.

Housing Starts

Total New House Price Index* (annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|-------------------------|------|------|------|------|------|---------|---------|
| ST. JOHN'S | 0.8 | 0.1 | 0.4 | 0.1 | -1.1 | -1.5 | 1.0 |
| HALIFAX | 1.1 | 3.0 | 2.8 | 2.9 | 0.8 | 3.7 | 2.4 |
| SAINT JOHN | 0.9 | -0.1 | 0.1 | -0.1 | -1.0 | -1.6 | -1.0 |
| QUEBEC CITY | 0.8 | -0.3 | -0.5 | 0.8 | -1.4 | 1.8 | 2.2 |
| MONTRÉAL | 0.1 | 0.8 | 0.6 | 0.8 | -0.2 | 0.0 | 1.5 |
| OTTAWA | 0.1 | -0.6 | 0.2 | -1.8 | -1.5 | 1.5 | 1.5 |
| TORONTO | -4.4 | -2.4 | -0.2 | 0.7 | -1.3 | 2.9 | 3.6 |
| HAMILTON | -3.6 | -2.6 | -0.3 | -1.1 | -0.8 | 2.8 | 2.1 |
| ST. CATHARINES | -2.4 | -3.2 | -4.0 | -0.8 | 1.0 | 2.9 | 2.0 |
| KITCHENER | -3.0 | 0.8 | -2.6 | -0.7 | -0.2 | 1.1 | 0.7 |
| LONDON | 0.2 | -0.1 | 0.2 | -2.7 | -1.1 | 1.5 | 1.9 |
| WINDSOR | -0.1 | -0.5 | 0.1 | 1.1 | 0.4 | 3.3 | 1.0 |
| SUDBURY- THUNDER BAY | -0.5 | 1.9 | 1.4 | 0.2 | -0.3 | 0.4 | 0.4 |
| WINNIPEG | -0.1 | 3.5 | 3.4 | 1.5 | 0.9 | 1.5 | 1.8 |
| REGINA | 4.6 | 5.5 | 3.9 | 3.1 | 1.6 | 2.0 | 2.0 |
| SASKATOON | 0.5 | 3.4 | 1.5 | 0.9 | 1.8 | 2.5 | 2.5 |
| CALGARY | 0.6 | 3.1 | 2.4 | 0.8 | 1.0 | 11.0 | 11.0 |
| EDMONTON | 0.9 | 3.5 | 0.9 | -1.3 | -0.8 | 1.5 | 4.0 |
| VANCOUVER | 8.8 | 7.7 | -0.6 | -5.2 | -6.1 | -1.5 | 2.0 |
| VICTORIA | 4.9 | 3.0 | -0.9 | -8.6 | -7.1 | -2.1 | 1.2 |
| CANADA | 0.0 | 1.2 | 0.1 | -1.2 | -2.0 | 2.3 | 3.3 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Includes both house and land components.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1829 | 1867 | 1873 | 1655 | 2005 | 2150 | 2275 |
| % | -3.3 | 2.1 | 0.3 | -11.6 | 21.1 | 7.2 | 5.8 |
| PEI | 604 | 654 | 599 | 476 | 750 | 800 | 770 |
| % | -20.9 | 8.3 | -8.4 | -20.5 | 57.6 | 6.7 | -3.8 |
| NS | 6958 | 7180 | 7140 | 7019 | 8372 | 8250 | 7200 |
| % | 19.7 | 3.2 | -0.6 | -1.7 | 19.3 | -1.5 | -12.7 |
| NB | 3550 | 3483 | 3339 | 3496 | 4023 | 3900 | 4100 |
| % | 8.9 | -1.9 | -4.1 | 4.7 | 15.1 | -3.1 | 5.1 |
| QUE | 31946 | 31875 | 33575 | 29824 | 38031 | 39950 | 41250 |
| % | 14.1 | -0.2 | 5.3 | -11.2 | 27.5 | 5.0 | 3.3 |
| ONT | 115260 | 107575 | 116005 | 105789 | 138859 | 146000 | 150000 |
| % | 9.0 | -6.7 | 7.8 | -8.8 | 31.3 | 5.1 | 2.7 |
| MAN | 11383 | 10546 | 10825 | 9749 | 10965 | 11350 | 11000 |
| % | 19.6 | -7.4 | 2.6 | -9.9 | 12.5 | 3.5 | -3.1 |
| SASK | 7829 | 7375 | 7459 | 7349 | 8689 | 8175 | 7640 |
| % | 20.4 | -5.8 | 1.1 | -1.5 | 18.2 | -5.9 | -6.5 |
| ALTA | 38545 | 37024 | 32512 | 29098 | 37485 | 43000 | 42000 |
| % | 12.2 | -3.9 | -12.2 | -10.5 | 28.8 | 14.7 | -2.3 |
| BC | 93564 | 80919 | 75270 | 58082 | 72182 | 75000 | 78000 |
| % | 10.7 | -13.5 | -7.0 | -22.8 | 24.3 | 3.9 | 4.0 |
| CAN** | 311468 | 288498 | 288597 | 252537 | 321361 | *338600 | *344200 |
| % | 11.1 | -7.4 | 0.0 | -12.5 | 27.3 | 5.4 | 1.7 |

Average Residential Price (dollars and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 92137 | 91243 | 91697 | 89525 | 93666 | 94000 | 95000 |
| % | 1.4 | -1.0 | 0.5 | -2.4 | 4.6 | 0.4 | 1.1 |
| PEI | 75570 | 72422 | 78753 | 73807 | 83962 | 80000 | 82000 |
| % | 6.4 | -4.2 | 8.7 | -6.3 | 13.8 | -4.7 | 2.5 |
| NS | 87685 | 88965 | 91109 | 89788 | 93448 | 101000 | 103000 |
| % | 1.4 | 1.5 | 2.4 | -1.4 | 4.1 | 8.1 | 2.0 |
| NB | 82478 | 84951 | 84149 | 83994 | 84035 | 88750 | 88250 |
| % | 2.0 | 3.0 | -0.9 | -0.2 | 0.0 | 5.6 | -0.6 |
| QUE | 102311 | 102447 | 102242 | 98837 | 98922 | 102900 | 106500 |
| % | -0.5 | 0.1 | -0.2 | -3.3 | 0.1 | 4.0 | 3.5 |
| ONT | 161364 | 156403 | 160033 | 154537 | 155576 | 165500 | 169000 |
| % | -5.7 | -3.1 | 2.3 | -3.4 | 0.7 | 6.4 | 2.1 |
| MAN | 80686 | 81748 | 83761 | 81897 | 85316 | 87000 | 88000 |
| % | 0.3 | 1.3 | 2.5 | -2.2 | 4.2 | 2.0 | 1.1 |
| SASK | 68406 | 70698 | 72738 | 73796 | 77476 | 80500 | 82000 |
| % | 1.0 | 3.4 | 2.9 | 1.5 | 5.0 | 3.9 | 1.9 |
| ALTA | 113558 | 117085 | 117336 | 114772 | 117672 | 124000 | 129000 |
| % | 1.9 | 3.1 | 0.2 | -2.2 | 2.5 | 5.4 | 4.0 |
| BC | 189999 | 211992 | 229514 | 221860 | 218687 | 220000 | 223000 |
| % | 12.9 | 11.6 | 8.3 | -3.3 | -1.4 | 0.6 | 1.4 |
| CAN** | 149590 | 152914 | 158309 | 150353 | 151049 | *157100 | *161300 |
| % | 1.8 | 2.2 | 3.5 | -5.0 | 0.5 | 4.0 | 2.7 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Vacancy Rate

Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

| | *Number of Units | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|----------------------------|---------------------|------|------|------|------|---------------------|---------------------|
| CALGARY | 47509 | 5.9 | 5.1 | 3.6 | 1.5 | 1.0 | 1.0 |
| CHICOUTIMI- JONQUIÈRE | 8171 | 6.3 | 6.3 | 6.0 | 5.4 | 5.3 | 5.1 |
| EDMONTON | 64547 | 6.5 | 8.9 | 10.2 | 7.6 | 5.5 | 4.0 |
| HALIFAX | 32946 | 6.3 | 7.2 | 7.7 | 8.7 | 8.5 | 8.2 |
| HAMILTON | 43134 | 2.7 | 2.4 | 2.0 | 2.2 | 2.0 | 1.8 |
| KITCHENER | 25828 | 4.3 | 2.8 | 2.2 | 1.8 | 2.0 | 1.8 |
| LONDON | 39191 | 3.8 | 4.1 | 4.3 | 6.0 | 6.0 | 5.1 |
| MONTREAL | 452911 | 7.7 | 6.8 | 6.2 | 5.7 | 5.4 | 5.0 |
| OSHAWA | 11090 | 4.6 | 3.4 | 2.7 | 3.7 | 3.8 | 3.5 |
| OTTAWA | 60157 | 1.8 | 2.6 | 3.8 | 4.9 | 4.0 | 3.2 |
| HULL | 18469 | 4.5 | 6.6 | 8.3 | 7.7 | 7.0 | 6.5 |
| QUEBEC CITY | 72072 | 6.0 | 6.9 | 6.0 | 6.5 | 6.5 | 6.0 |
| REGINA | 12039 | 3.6 | 3.2 | 2.1 | 1.9 | 1.7 | 2.0 |
| ST. CATHARINES- NIAGARA | 16703 | 4.9 | 5.8 | 5.2 | 5.6 | 5.5 | 5.2 |
| SAINT JOHN | 7586 | 6.3 | 8.0 | 8.6 | 9.1 | 9.4 | 8.9 |
| ST. JOHN'S | 4794 | 8.8 | 7.1 | 10.8 | 15.4 | 15.5 | 13.0 |
| SASKATOON | 17551 | 2.7 | 1.8 | 1.0 | 0.7 | 1.0 | 2.0 |
| SHERBROOKE | 23521 | 7.6 | 8.0 | 6.2 | 6.6 | 7.0 | 6.4 |
| SUDBURY | 10885 | 3.8 | 4.3 | 6.0 | 6.8 | 6.5 | 6.0 |
| THUNDER BAY | 5266 | 2.7 | 4.1 | 6.2 | 5.6 | 5.6 | 5.6 |
| TORONTO | 298167 | 2.0 | 1.2 | 0.8 | 1.2 | 1.6 | 1.4 |
| TROIS-RIVIÈRES | 16092 | 6.5 | 7.4 | 7.2 | 8.0 | 8.2 | 8.0 |
| VANCOUVER | 107121 | 1.1 | 0.8 | 1.2 | 1.1 | 1.3 | 1.6 |
| VICTORIA | 24425 | 1.8 | 1.9 | 3.3 | 4.1 | 3.5 | 3.2 |
| WINDSOR | 14740 | 2.7 | 1.6 | 1.8 | 2.8 | 3.0 | 2.7 |
| WINNIPEG | 54922 | 5.9 | 5.6 | 5.4 | 6.0 | 5.8 | 5.4 |
| CANADA** | 1489837 | 4.8 | 4.6 | 4.3 | 4.3 | 4.1 | 3.8 |

SOURCE: CMHC.

(F) Forecast.

* Total number of units in October 1996.

** Weighted average of Metropolitan areas surveyed.

Labour Markets

Employment (annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|------|------|------|------|------|---------|---------|
| NFLD | -5.4 | -0.5 | 1.0 | 1.0 | -3.6 | -0.5 | 2.1 |
| PEI | -1.8 | 0.0 | 3.7 | 5.4 | 1.7 | -1.0 | 1.0 |
| NS | -4.9 | -0.8 | 3.3 | 1.1 | 0.3 | 1.3 | 1.0 |
| NB | 0.0 | 1.0 | 0.7 | 2.3 | -0.3 | 0.2 | 1.9 |
| QUE | -3.3 | 0.4 | 2.5 | 1.5 | 0.3 | 0.7 | 1.1 |
| ONT | -4.3 | 1.8 | 1.4 | 1.4 | 1.5 | 1.7 | 2.2 |
| MAN | -3.9 | 2.2 | 0.4 | 2.0 | 1.0 | 2.0 | 2.0 |
| SASK | -1.7 | 1.1 | 0.4 | 0.7 | 0.2 | 1.7 | 1.1 |
| ALTA | 0.6 | 0.9 | 3.2 | 2.7 | 2.9 | 3.5 | 3.8 |
| BC | 3.7 | 2.9 | 4.0 | 1.7 | 2.5 | 2.2 | 1.9 |
| CAN | -2.5 | 1.4 | 2.1 | 1.6 | 1.3 | 1.6 | 2.0 |

Unemployment Rate (per cent)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|------|------|------|------|------|---------|---------|
| NFLD | 20.2 | 20.1 | 20.4 | 18.3 | 19.4 | 19.6 | 18.6 |
| PEI | 17.9 | 18.1 | 17.2 | 14.7 | 14.5 | 15.9 | 15.3 |
| NS | 13.1 | 14.6 | 13.3 | 12.1 | 12.6 | 13.1 | 12.8 |
| NB | 12.8 | 12.5 | 12.5 | 11.5 | 11.7 | 12.8 | 12.1 |
| QUE | 12.8 | 13.2 | 12.2 | 11.3 | 11.8 | 12.1 | 11.6 |
| ONT | 10.9 | 10.6 | 9.6 | 8.7 | 9.1 | 8.8 | 8.5 |
| MAN | 9.7 | 9.3 | 9.2 | 7.5 | 7.5 | 6.9 | 6.7 |
| SASK | 8.2 | 8.0 | 7.0 | 6.9 | 6.6 | 6.6 | 6.5 |
| ALTA | 9.5 | 9.7 | 8.6 | 7.8 | 7.0 | 6.5 | 6.0 |
| BC | 10.5 | 9.7 | 9.4 | 9.0 | 8.9 | 8.6 | 8.7 |
| CAN | 11.3 | 11.2 | 10.4 | 9.5 | 9.7 | 9.6 | 9.2 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

Demographics

Total Net Migration* (number of persons)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|-------|--------|--------|--------|--------|--------|---------|---------|
| NFLD | -910 | -3465 | -6417 | -6027 | -9264 | -7500 | -5500 |
| PEI | 605 | 778 | 740 | 803 | 564 | 280 | 350 |
| NS | 2479 | 569 | -249 | 2522 | 2055 | 3900 | 2800 |
| NB | -436 | -393 | -745 | -195 | -1442 | -1100 | -800 |
| QUE | 32866 | 30165 | 5401 | 18450 | 3624 | 21000 | 25000 |
| ONT | 98211 | 76221 | 62939 | 114315 | 77687 | 95000 | 103000 |
| MAN | -1657 | -1319 | -1635 | 945 | 405 | 1000 | 1200 |
| SASK | -4422 | -3104 | -2561 | 167 | 309 | -1175 | -950 |
| ALTA | 15570 | 8890 | 6044 | 18342 | 19950 | 26000 | 27500 |
| BC | 78712 | 76251 | 73174 | 77800 | 62478 | 60500 | 58500 |
| CAN** | 221018 | 184593 | 136691 | 227122 | 156366 | 197905 | 211100 |

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

* Sum of the interprovincial migration, international migration, non-permanent residents and returning Canadians.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly percentage change)

| | 95:Q4 | 96:Q1 | 96:Q2 | 96:Q3 | 96:Q4 | 97:Q1 | 97:Q2 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 109.0 | 131.2 | 125.8 | 133.0 | 146.6 | 163.2 | 152.1 |
| % | -4.1 | 20.3 | -4.1 | 5.7 | 10.3 | 11.3 | -6.8 |
| Housing starts, total, thousands | 110.9 | 112.8 | 124.0 | 128.8 | 129.3 | 155.2 | 145.4 |
| % | 6.0 | 1.7 | 9.9 | 3.9 | 0.4 | 20.0 | -6.3 |
| Housing starts, singles, thousands | 66.6 | 69.4 | 78.9 | 79.5 | 79.9 | 103.3 | 91.0 |
| % | 8.3 | 4.2 | 13.7 | 0.8 | 0.5 | 29.3 | -11.9 |
| Housing starts, multiples, thousands | 44.3 | 43.4 | 45.1 | 49.3 | 49.4 | 51.9 | 54.4 |
| % | 2.8 | -2.0 | 3.9 | 9.3 | 0.2 | 5.1 | 4.8 |
| Housing completions, total, thousands | 109.2 | 115.7 | 112.5 | 119.6 | 123.6 | 135.3 | 152.6 |
| % | 0.5 | 6.0 | -2.7 | 6.3 | 3.3 | 9.5 | 12.7 |
| New house price index, 1986=100 | 133.2 | 132.8 | 131.6 | 131.3 | 131.7 | 132.6 | 132.8 |
| % | -0.7 | -0.3 | -0.9 | -0.2 | 0.3 | 0.7 | 0.2 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 261.3 | 289.8 | 300.3 | 307.1 | 387.7 | 358.0 | 328.6 |
| % | -8.9 | 10.9 | 3.6 | 2.3 | 26.3 | -7.7 | -8.2 |
| MLS average resale price, \$C thousands | 149.5 | 148.0 | 152.6 | 152.6 | 150.9 | 152.5 | 157.3 |
| % | -1.3 | -1.0 | 3.1 | -0.0 | -1.1 | 1.1 | 3.1 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 340.2 | 344.0 | 348.5 | 351.6 | 355.7 | 362.1 | 366.5 |
| % | 1.0 | 1.1 | 1.3 | 0.9 | 1.2 | 1.8 | 0.3 |
| Mortgage approvals, \$C billions | 51.7 | 63.7 | 62.4 | 70.2 | 88.7 | 86.2 | .. |
| % | -16.9 | 23.2 | -2.1 | 12.5 | 26.3 | -2.9 | .. |
| 1-year mortgage rate, per cent* | 7.4 | 6.8 | 6.5 | 6.3 | 5.2 | 5.2 | 5.4 |
| 5-year mortgage rate, per cent* | 8.5 | 8.0 | 8.5 | 8.1 | 7.0 | 7.2 | 7.3 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 26.3 | 27.7 | 29.8 | 31.2 | 32.8 | 33.6 | 34.5 |
| % | -1.8 | 5.3 | 7.8 | 4.6 | 5.3 | 2.4 | 2.6 |
| New, \$1986 billions | 11.2 | 11.8 | 13.0 | 13.8 | 13.8 | 14.8 | 15.7 |
| % | 0.7 | 5.5 | 10.0 | 6.7 | -0.5 | 7.7 | 6.0 |
| Alterations, \$1986 billions | 9.2 | 9.4 | 10.3 | 10.6 | 10.7 | 11.0 | 11.3 |
| % | -1.9 | 2.3 | 8.9 | 3.6 | 0.9 | 2.3 | 3.0 |
| Transfer costs, \$1986 billions | 5.9 | 6.5 | 6.6 | 6.7 | 8.3 | 7.8 | 7.5 |
| % | -6.3 | 9.6 | 2.2 | 1.9 | 24.1 | -6.1 | -4.6 |
| Deflator, 1986=100 | 138.7 | 139.8 | 140.1 | 140.6 | 141.5 | 141.6 | 142.9 |
| % | -1.7 | 0.8 | 0.2 | 0.4 | 0.6 | 0.1 | 0.9 |

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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SPECIAL SUPPLEMENT



**NATIONAL
HOUSING
OUTLOOK**
FOURTH
QUARTER
1997

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Cette publication est aussi disponible en français sous le titre *Perspectives nationales du marché de l'habitation* —
N° de catalogue : NHOSF.

NATIONAL HOUSING OUTLOOK

New housing continues to trend upward

The number of housing starts rose in the third quarter but remained below the first quarter peak. The underlying trend in new construction is upward, but the picture is blurred by special events. These included tax changes early in the year in the Atlantic provinces, in Nova Scotia in particular, which stimulated construction that would normally have taken place in the second and third quarters. If not for these special events, second and third quarter activity would certainly have been higher than in the first quarter and the upward trend would have been much clearer.

On a seasonally adjusted annual rate basis (SAAR), construction amounted to 148,700 housing units during the third quarter, compared to 145,400 during the second quarter. The increase was concentrated in single-detached units, where new construction rose to 94,100 from 91,000. Multiple unit construction maintained its second quarter pace, at 54,600 compared to 54,400. Increased

activity reflected favourable market conditions for home buyers. Many housing market indicators, particularly employment and mortgage rates, helped support the current positive trend. Specific preferences varied by region: the largest advances were for row housing in Quebec, semi-detached construction in Ontario and B.C., and apartments in Alberta.

Sales through the Multiple Listing Service fell for the third consecutive quarter, to 323,700 transactions, or 1.5 per cent lower than in the second quarter. The reduction resulted from fewer property listings in some urban centres. Pent-up demand for existing homes, which fueled sales in late 1996 and early this year, also dropped off.

Diverging trends in MLS activity and new home construction were reflected in prices. MLS prices fell 1.1 per cent from the previous quarter while the New House Price Index was essentially unchanged.

Tight management of inventories remains the order of the day for builders. Total inventory of newly completed and unoccupied units shrank again in the third quarter, to 12,400 units on a seasonally adjusted basis, the lowest level since 1988. At the current pace, if there are no new units started or under construction, inventories of single and semi-detached units will be absorbed within a month, and row and apartment units will be siphoned off within two months. As a result, any uptick in demand will translate quickly into more housing starts.

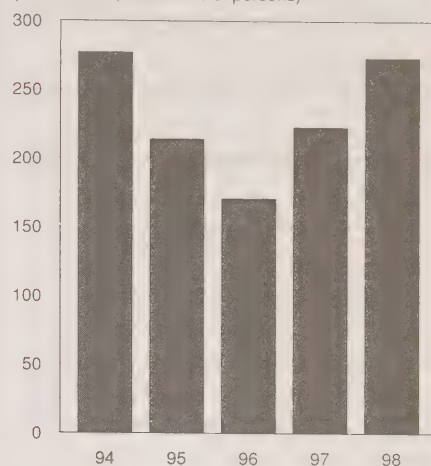
1997-98 Outlook

Job creation in 1997 will boost housing demand in 1998

Economic indicators point to stronger and more widely based economic

Job creation to gain momentum

(Job creation, thousands of persons)



SOURCE: Statistics Canada.
1997-98 CMHC Forecast.

growth this year and next. The economy is no longer relying exclusively on exports for expansion. In fact, consumer spending and business investment have shown renewed growth. This faster pace of the economy is clearly reflected in employment trends.

Job creation has been strong, with 280,000 new jobs between February and October. Prospects are for further gains for both adults and youths. With a greater proportion of full-time jobs, income generation and spending power will advance more sharply. The next stage of housing market expansion will be based on this improved job market.

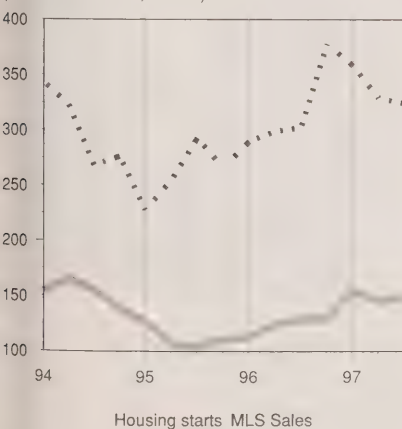
Consumer confidence is a key factor behind housing demand. The most recent Survey of Consumer Attitudes from the Conference Board of Canada shows confidence up for the sixth consecutive quarter, to its highest level of the decade. Consumers believe that this is a good time to make a major purchase, and more of them are beginning to take advantage of the opportunity.

In addition to the economy's momentum, mortgage rates will also

Starts continue to trend up sales slip in third quarter

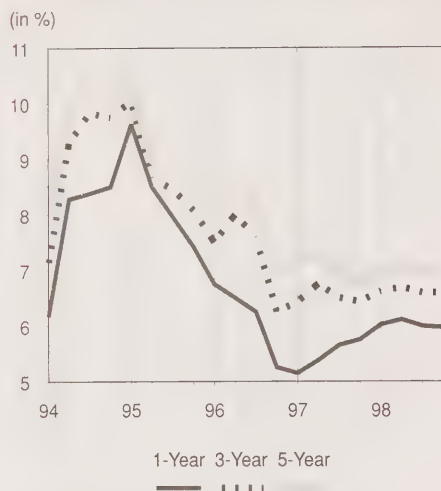
Housing Starts and Residential MLS* Sales - Canada

(thousands of units, SAAR)



SOURCES: CMHC; Canadian Real Estate Association.
Multiple Listing Service (MLS) is a registered
certification mark owned by the Canadian Real Estate
Association.

Mortgage rates to remain low



SOURCE: Bank of Canada; 1997-98 CMHC forecast

play a key role. Mortgage rates are low by historical standards, and five-year rates in particular are at their lowest level in forty years. These support spending and investment in housing.

Short-term rates are expected to rise modestly from their current levels over the next six months. The one-year mortgage rate is expected to remain in the 5.50-6.00 per cent range for the rest of this year, and to inch up to 6.00-6.25 per cent in 1998 in response to rising short-term interest rates. The rise will be driven by broadly based domestic economic growth, negative spreads between Canadian and U.S. real short-term interest rates, and the need to prop up the Canadian dollar.

Long-term rates are likely to follow short-term rates upward, but to rise more moderately. The three-year rate is forecast to be in the 6.50-6.75 per cent range by December of 1997 and to remain at that level through 1998. The five-year rate will be around 6.75-7.25 per cent over the remainder of this year and next.

Housing starts to climb back above the 160,000 unit mark

Housing starts are expected to improve strongly, to 148,600 units this year and 162,400 in 1998. Gains next year will be the result of this year's strong job growth. Construction of multiples will increase faster than singles. First-time buyer units will continue to do well, but increasing confidence and home prices will bring more move-up buyers into the market. A rising population of young adults with improved job prospects may also improve the rental market. Overall, construction will fall within the lower range of what demographics alone would suggest.

Single-detached starts are expected to rise by 20.6 per cent this year to 94,100 units, with a further gain to 102,100 next year. The market for single-detached homes is benefiting from improved affordability and very lean inventories. As well, the very active resale market is positive on two grounds: first, there is some move-up activity from sellers in the existing market; second, higher prices and limited supply in some markets are making new homes more attractive.

Multiple-unit construction will increase by 16.7 per cent this year to 54,500 units, with a further increase to 60,300 units next year. Units in higher demand will be primarily those targeted for home owners, either first-time buyers or move-down buyers. Rental apartment construction is expected to drop further this year before recovering somewhat in 1998.

MLS sales should remain strong thanks to low mortgage rates, higher employment and excellent market conditions. Resales are expected to reach an all-time record of 336,000 transactions this year and to increase by an additional 2.9 per cent to 345,800 transactions in 1998.

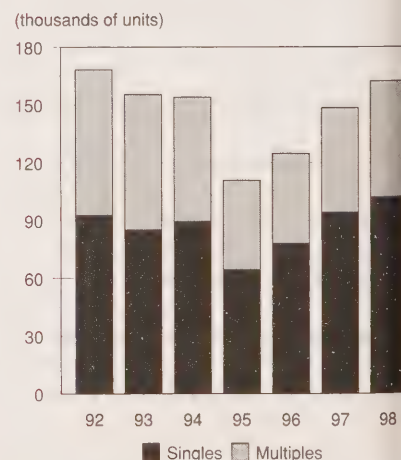
Price increases will be moderate. The average sale price is expected to be up 3.1 per cent this year to \$155,700, reflecting both mix changes and price increases. The average is expected to be stable in the high-priced British Columbia market and up by more than five per cent in four provinces (Saskatchewan, Ontario, Alberta and Quebec). For next year, the average price is forecast to rise by 2.6 per cent.

Alberta and Ontario remain market leaders

Strong economies and tight inventories will ensure the greatest increase in new construction in Alberta and Ontario next year, by 15.5 per cent in Alberta and 11.4 per cent in Ontario. Gains in resale activity and price advances in these two provinces will be among the most impressive in the country. Home building will also rise significantly in British Columbia, with starts up by 5.5 per cent in 1998. A delayed but significant recovery in construction is expected in Quebec, with starts rising by 7.4 per cent next year. ■

Home building next year best since 1992

Housing starts by type — Canada



SOURCE: CMHC.
1997-98 Forecast.

PROVINCIAL HOUSING OUTLOOKS

Newfoundland

Residential construction on the mend in 1998

Residential construction in urban centres of the province resumed growth during the third quarter following substantial declines in the spring. In contrast, starts in rural areas remained depressed, as thousands continued to leave the province's outlying communities in search of employment. In total, provincial housing starts during the third quarter fell 11.6 per cent from last year's levels. Demand for single-detached homes has shown some strength in urban centres so far this year, reflecting gradually improving consumer confidence and the lowest mortgage rates in decades. With two-apartment starts approaching their lowest level on record and vacancy rates continuing to climb, multiple-unit construction has been hard hit. Overall, provincial housing starts declined by 13.6 per in the first nine months of the year. Increased activity in the fourth quarter of 1996 in anticipation of the Harmonized Sales Tax (HST) will not be repeated this year. At 1,775 units, new home construction will end the

year at its second lowest level since 1965.

Following three quarters of double digit growth, the resale market came back down to earth, recording a more sustainable 3.5 per cent increase during the summer months. Supported by the strong first half, MLS sales throughout the province were up 13.8 per cent to the end of September. Sales activity is expected to follow recent trends during the remainder of 1997, resulting in annual gains of around 7.0 per cent. Despite this healthy performance, average house prices will decline modestly, largely due to a substantial increase in sales of lower priced condominiums in the St. John's region.

Employment growth, low mortgage rates and reduced migration from the province will set the stage for more widespread improvement in housing demand next year. Although weakness in rural areas will remain a drag on provincial housing starts, we are still forecasting a 4.0 per cent increase on the basis of continued strength in urban centres. The resale market will register similar gains, with MLS sales expected to edge up to 2,225 units. The rental market will also benefit from improved economic conditions and stock reductions stemming from an expanding condo conversion market. The vacancy rate in the St. John's region is forecast to fall for the first time since late 1994.

peaked and are beginning to come down. The potential exists for a balanced resale market in 1998, the first in seven years.

Builders of new homes have not shared the good fortune of the resale market. The number of new homes has declined by almost as much as resales have increased. However, the current strength of the market for existing homes will reduce the supply and, along with a mild boost from the move-up market, will revive demand for new homes in 1998. Total starts are expected to fall to 450 units in 1997 but recover to 490 units in 1998 with more single-detached construction.

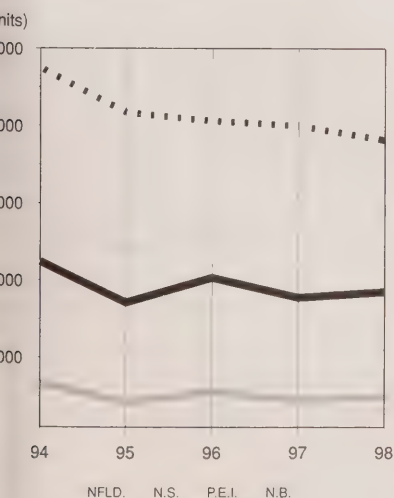
Nova Scotia

Housing markets to slow in '97 and '98

Notwithstanding a strong economy that is forecast to remain healthy to at least the end of 1998, Nova Scotia's housing markets will remain soft. A softening in demand from first-time buyers will mean a retreat from the record level of resale activity seen last year. However, the return of move-up buyers will drive up average prices and yield little change in the total value of homes sold. Although sales will drop by 1.5 per cent this year, the prominence of move-up buyers will ensure that the average price of a home sold through local real estate associations around the province will top \$97,500 this year and \$103,000 in 1998.

A 14 per cent drop in residential construction in the third quarter followed a weak second quarter, and starts will be hard pressed to match the pace set last year. Low mortgage rates and marketing targeted at older segments of the population have given developers in Halifax the confidence to continue building. This will result in a forecast 21 per cent increase in multiple family construction

Housing Starts Atlantic Region



SOURCE: CMHC.
1997-98 Forecast.

Prince Edward Island

Resales take off; new home builders poised to follow

While the opening of Confederation Bridge has brought the expected increase in tourist traffic and spending, the direct impact on housing has been minimal. However, good borrowing conditions and a market which favours buyers has led to a banner year for resale home purchases. An increase of over 25 per cent is within reach. Record high listings have

for this year. Demand for new single family homes is on the decline and will come almost exclusively from move-up buyers, as first-time buyer demand was tapped out earlier in the year.

As a result, new home construction will slow to 4,000 units this year and 3,815 units in 1998.

New Brunswick

Housing markets await expected economic recovery

Jobs remain the issue in New Brunswick this year. Employment fell off late in 1996 and has been slow to recover. The much talked about \$600 million dollar highway project and the containership contract at the Saint John drydocks that were expected to generate many new jobs this summer never got under way. The good news is that they will both add to an improving economy next year.

MLS sales soared 8.5 per cent in dollar value during the second quarter, but eased back in the third quarter to show growth of only 1.3 per cent. By year end, sales will reach the 3,900 mark, a decline of 3.1 per cent from last year's record-setting level. Winter 1998 sales will remain slow; however, a recovering spring job market and attractive mortgage rates will lead to a strong summer season for real estate agents around the province.

Home builders who have been dealing with the spin-offs from the newly adopted Harmonized Sales Tax have seen their work orders decline. Single family housing starts, which rose 26 per cent to 2,173 last year, will inch down to the 2,100 mark this year. Housing starts in the home ownership market will recover to 2,300 in 1998. The new construction market will pick up during the second half of next year as new home buyers begin to feel more secure about their jobs. Continuing high vacancy rates will discourage some developers from building rental units in the year ahead. The 550 multiple-family units

forecast to be built this year will decline to 475 in 1998.

Quebec

Recovery continues

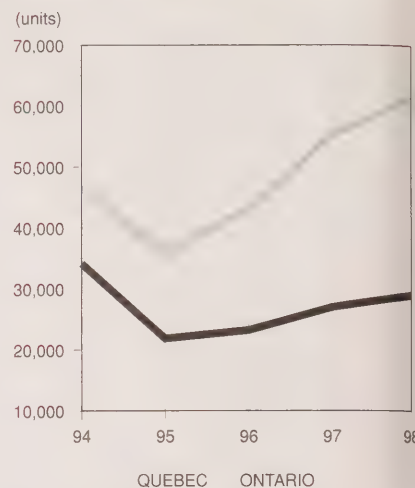
Fuelled by strong renewed consumer confidence, the real estate turnaround continued in the third quarter. The performance was particularly remarkable in resales, which maintained their accelerated pace with the help of low interest rates and an improved labour market. The volume of MLS sales for the first nine months of 1997 was 16.7 per cent higher than last year's level, while the average price of transactions showed a more significant increase following several years of stability.

In 1997, the resale market should reach an unprecedented level of 42,000 transactions, a 10.4 per cent rise over last year. The upward trend should continue next year, but with a slower rate of growth. The 44,000 transactions expected in 1998 would represent a 4.8 per cent gain over this year. These increases in volume will be accompanied by a hike of 5.1 per cent in the average price of transactions this year and 2.9 per cent next year.

The resurgence of the resale market has overflowed onto the new home building sector, which posted an excellent third quarter as well. Housing starts registered an increase of 8.5 per cent, reaching 28,000 units (SAAR) in the third quarter. This is the highest level since the third quarter of 1994 and the fourth consecutive quarterly rise. Both single-family and multiple housing contributed to these good results.

A good performance in new construction should raise the level of housing starts to 27,000 units in 1997 and to 29,000 units in 1998. The rise in residential construction in 1998 will be largely in single-detached homes, where the move-up buyers are giving new life to sales of more expensive homes.

Housing Starts Quebec and Ontario



SOURCE: CMHC.
1997-98 Forecast.

Ontario

Fundamentals suggest higher home starts

Bolstered by low mortgage costs and a stronger economy, single-detached and multiple family home starts moved up in the third quarter. Housing starts reached their second strongest level in five years, and so far this year are running 29 per cent ahead of the first three quarters of last year. The increases have been in ownership homes: singles, condominiums, and freehold row and semi-detached homes. Rental starts have been extremely low.

Supply and demand fundamentals point to further increases in residential construction. On the demand side, mortgage costs will remain very affordable, job growth is strong, wages and salaries are expected to grow and so is consumer confidence. On the supply side, inventories of completed and unoccupied units are moderate to low and not likely to cause construction slowdowns.

Housing starts will jump by 28 per cent in 1997, to 55,200, and to 61,500 in 1998. Single starts will rise the most, as low mortgage carrying costs allow more potential buyers to



RENOVATION MARKET OUTLOOK

CMHC Market Analysis Centre

1997-1998

Highlights

Renovation spending boosted by active resale markets, new construction and improved economic conditions.

1997 renovation spending expected to be up 11.4 per cent, improving on the strong 9.4 per cent gains of 1996.

Even with slowing growth in housing markets, momentum will carry 1998 to \$23.4 billion in renovation spending, a solid 6.7 per cent increase.

Renovation spending has taken a permanent lead over new construction.

Like the rest of the housing industry, renovators and other suppliers to the renovation market are having a good year in 1997, and can look forward to rising business volumes in 1998.

Current indications are for renovation and repair expenditures to increase by 11.4 per cent over 1996 levels this year, to almost \$22 billion, and by a further 6.7 per cent in 1998, to reach \$23.4 billion. This continues the strong run for renovation and repair since the second half of last year which lifted total 1996 spending by 9.4 per cent.

Increased resale activity leads to renovation and repair spending

In 1997, the home renovation market is profiting from the solid

recovery experienced by the resale market across the country. The number of homes sold through MLS* jumped nearly 27.3 per cent in 1996 to slightly more than 321,000 units. Growth in resales is

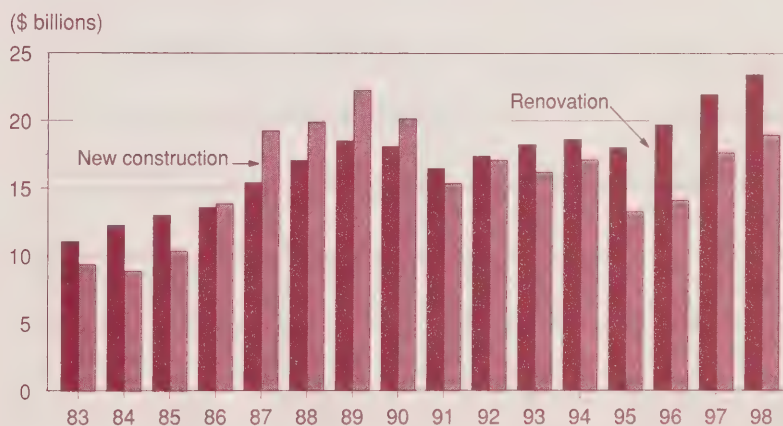
continuing in 1997, with sales expected to rise 4.5 per cent to a new record of 336,000 transactions.

Resale activity is an indication of increased repair and renovation spending for a number of reasons:

- ◆ Sellers typically spruce up their homes to make them more attractive to buyers.
- ◆ Many new owners undertake repairs and maintenance before and immediately after they move in.
- ◆ Some owners find ways to alter and improve their homes in the early years of ownership, as they settle in and suit the homes to their own needs and preferences.

* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

Renovation secures its lead over new construction



Sources: Statistics Canada, 1997-98 CMHC forecast.

Major Renovation Indicators, 1994-98

| | 1994 | 1995 | 1996 | 1997 ^(f) | 1998 ^(f) |
|--------------------------------|------|-------|------|---------------------|---------------------|
| Renovations (\$ billions) | 18.6 | 18.0 | 19.7 | 22.0 | 23.4 |
| (% change) | 2.1 | -3.3 | 9.4 | 11.4 | 6.7 |
| New Construction (\$ billions) | 17.1 | 13.3 | 14.1 | 17.6 | 19.0 |
| (% change) | 5.9 | -22.6 | 6.4 | 24.9 | 7.6 |
| Related Indicators (% changes) | | | | | |
| Employment | 2.1 | 1.6 | 1.3 | 2.0 | 2.0 |
| Personal Disposable Income | 1.4 | 2.6 | 2.0 | 2.4 | 4.9 |
| Housing Starts | -0.9 | -28.0 | 12.4 | 19.2 | 9.3 |
| MLS Unit Residential Sales | 0.0 | -12.5 | 27.3 | 4.5 | 2.9 |
| Housing Stock | 1.4 | 1.0 | 1.0 | 1.2 | 1.2 |
| New House Price Index | 0.1 | -1.2 | -2.0 | 0.7 | 3.3 |
| MLS Average Price | 3.5 | -5.0 | 0.5 | 3.1 | 2.6 |
| Renovation Prices | 3.0 | 2.6 | 1.1 | 2.1 | 3.9 |
| 5-year Mortgage Rate (%) | 9.5 | 9.2 | 7.9 | 7.1 | 7.0 |

Sources: Historical: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association
1997-98 Forecast: CMHC

CMHC has found (Renovation Market Outlook, 1996-1997) that in the first two years of ownership, buyers of resale homes spend over 50 per cent more on renovations and repairs than do either buyers of newly built homes or owners who do not move. The largest share of that increased spending is through contractors, with buyers of existing homes spending twice as much on contracts as buyers of homes less than four years old.

Increased new-home sales expected to boost spending for improvements

Some home improvement markets will benefit from strong increases in housing starts in 1997 and 1998. Starts are expected to be up about 19.2 per cent to 148,600 for 1997 and to increase another 9.3 per cent to reach 162,400 in 1998.

Buyers of new homes do not need to spend much on repairs, but typically spend their renovation dollars on improvements which may not have been included in the house as constructed. Outdoors, these include landscaping, decks, and paved driveways; indoors, they are items like carpeting,

appliances, and finished basements.

Spending expected to grow in 1998

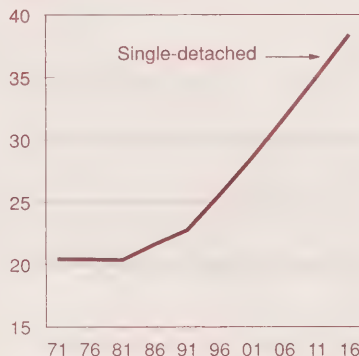
Total renovation spending is expected to reach \$22 billion in 1997, up 11.4 per cent from 1996. A further 6.7 per cent increase is expected in 1998, to \$23.4 billion. In contrast, new construction spending is expected to be up 24.9 per cent this year, to \$17.6 billion, and to increase by another 7.6 per cent to almost \$19 billion in 1998.

It is likely that renovation expenditures will expand further in the short term, for a number of reasons:

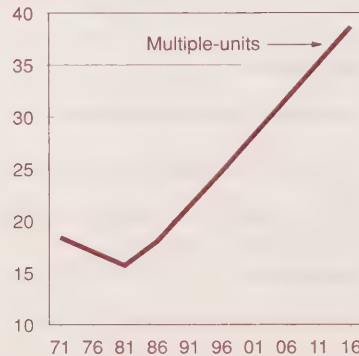
- ◆ As indicated above, improvements in both resale and new housing markets will boost renovation and repair spending.
- ◆ Low mortgage rates should inspire owners to borrow, if necessary, in order to complete needed repairs and planned renovation projects.
- ◆ Improved employment and income prospects have lifted consumer confidence to an eight-year high. Consumers are willing to spend more on big-ticket items.

Median age of dwellings rising rapidly

(Median age in years)



(Median age in years)



Source: CMHC, "The Long-Term Housing Outlook: Household Growth in Canada and the Provinces 1991-2016".

Renovation builds a permanent lead over new construction

Even with new construction much improved since the lows of 1995, expenditures for new construction do not match renovation spending. Renovation outlays are expected to continue to outpace spending for new construction for two main reasons.

First, the average number of new housing units needed over the next 20 years will remain below peak levels of the mid to late 1980s because of an older and slower growing population. This will effectively limit total spending on new construction.

Second, the age of the housing stock will increase. Older dwellings generally need more repair and maintenance than newer structures, and are typically more in need of renovation to remain comparable with newer construction. Census data on the median age of dwellings, combined with demographic projections for household formation, suggests that the average age will rise steadily. The median age of single-detached dwellings, stable at about 20 years during the 1970s, rose to almost 26 years in 1996 and is expected to be over 38 years by 2016.

Because of this slower growth rate of an aging housing stock, renovation spending will continue to outpace new construction over the longer term. These trends are discussed in detail in CMHC's recent report *The Long-Term Housing Outlook: Household Growth in Canada and the Provinces, 1991-2016*.

REGIONAL PROFILES

The strength of the renovation recovery varies across the country. Increases range from a low of 3.0 per cent in Newfoundland to a high of 14 per cent in Alberta for 1997. Gains will not be as strong in 1998, ranging from 2.1 per cent in Saskatchewan to 8.6 per cent in Ontario.

Renovation spending will be about two thirds larger than new construction in Nova Scotia, whereas it will be roughly twice as large in the other Atlantic provinces.

In Nova Scotia, renovation spending will increase at a slower 5.4 per cent pace in 1998 as home resales cool off and disposable income growth remains subdued in the province.

P.E.I. is expected to continue relatively strong, with a 7.8 per cent increase in 1998. Job growth is expected to support resale activity and related renovation spending.

Renovation spending is expected to increase by 4.1 per cent in New Brunswick in 1998, less than the national average of 6.7 per cent. The strongest gains will be in repairs.

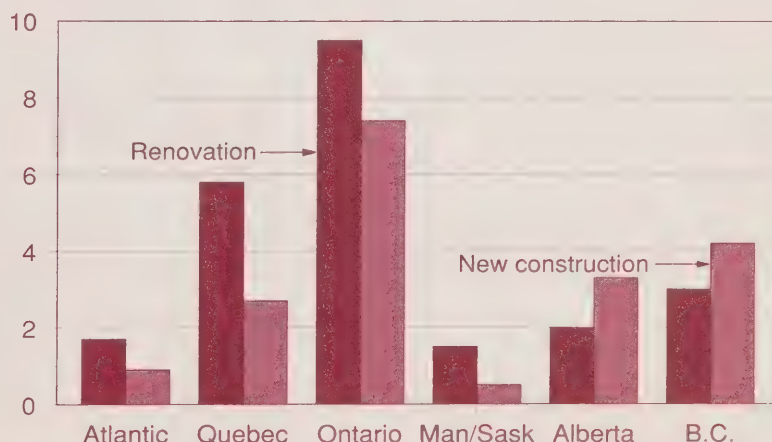
Newfoundland trails the Atlantic region, with expected increases of 3.0 per cent in 1997 and 2.9 per cent next year. Although resale activity will move up, relatively weak job prospects will dampen consumer willingness to spend on large renovation projects.

Renovation spending in Quebec is expected to be up 5.6 per cent, to about \$5.8 billion in 1998. A stronger resale and new housing market will spell particularly large gains in alterations and improvements.

Ontario renovation spending is forecast to be up 8.6 per cent in 1998, to \$9.5 billion. The provincial economy is moving into high gear with higher job growth and disposable income gains. Much improved prices for existing homes are also stimulating renovation activity.

Renovation and new construction spending by region, 1998

(\$ billions)



Source: CMHC forecast.

Regional Profile for Spending

| | | Renovations | | | New Construction | | |
|------------------|---------------|-------------|-------|-------|------------------|-------|-------|
| | | 1996 | 1997 | 1998 | 1996 | 1997 | 1998 |
| Atlantic | (Millions \$) | 1507 | 1639 | 1714 | 792 | 843 | 896 |
| | (% Change) | 5.7 | 8.7 | 4.5 | 7.6 | 6.4 | 6.4 |
| Newfoundland | (Millions \$) | 395 | 407 | 419 | 147 | 161 | 176 |
| | (% Change) | 6.3 | 3.0 | 2.9 | 3.3 | 9.7 | 8.7 |
| P.E.I. | (Millions \$) | 81 | 92 | 99 | 47 | 47 | 49 |
| | (% Change) | -3.4 | 13.6 | 7.8 | 26.7 | 1.8 | 2.3 |
| Nova Scotia | (Millions \$) | 619 | 693 | 730 | 375 | 408 | 426 |
| | (% Change) | 5.6 | 11.9 | 5.4 | 0.6 | 8.7 | 4.6 |
| New Brunswick | (Millions \$) | 412 | 447 | 465 | 223 | 226 | 246 |
| | (% Change) | 7.4 | 8.6 | 4.1 | 21.6 | 1.3 | 8.7 |
| Quebec | (Millions \$) | 4866 | 5478 | 5783 | 2203 | 2523 | 2652 |
| | (% Change) | 14.5 | 12.6 | 5.6 | 1.3 | 14.5 | 5.1 |
| Ontario | (Millions \$) | 7711 | 8729 | 9480 | 5103 | 6914 | 7399 |
| | (% Change) | 9.1 | 13.2 | 8.6 | 13.1 | 35.5 | 7.0 |
| Prairies | (Millions \$) | 2917 | 3267 | 3466 | 2186 | 3310 | 3743 |
| | (% Change) | 7.7 | 12.0 | 6.1 | 18.0 | 51.4 | 13.1 |
| Manitoba | (Millions \$) | 654 | 716 | 767 | 222 | 256 | 270 |
| | (% Change) | 8.3 | 9.5 | 7.2 | 2.7 | 15.5 | 5.3 |
| Saskatchewan | (Millions \$) | 649 | 711 | 726 | 209 | 226 | 223 |
| | (% Change) | 11.3 | 9.7 | 2.1 | 21.9 | 8.1 | -1.3 |
| Alberta | (Millions \$) | 1614 | 1840 | 1972 | 1755 | 2828 | 3250 |
| | (% Change) | 6.0 | 14.0 | 7.2 | 19.8 | 61.1 | 14.9 |
| British Columbia | (Millions \$) | 2686 | 2830 | 2982 | 3744 | 3949 | 4188 |
| | (% Change) | 6.0 | 5.4 | 5.3 | -4.0 | 5.5 | 6.1 |
| Canada | (Millions \$) | 19703 | 21958 | 23440 | 14116 | 17626 | 18966 |
| | (% Change) | 9.4 | 11.4 | 6.7 | 6.4 | 24.9 | 7.6 |

Sources: Historical 1996; Statistics Canada
Forecast 1997-98: CMHC

Renovation spending in Manitoba will remain strong in 1998, with a 7.2 per cent increase, better than the national average. Improved job prospects and higher consumer confidence will spur spending on big renovation items.

Saskatchewan will trail the country with a 2.1 per cent increase in renovation spending in 1998. The volume of transactions in the resale market will decline and dampen related renovation spending. Activity may also be limited by a shortage of skilled trades people. High income gains and low financing costs will still maintain growth in renovation.

There will be a further 7.2 per cent increase in renovation spending in Alberta in 1998. The province's economy will continue to grow at a very fast pace, pushing up spending on housing and related renovation to new highs.

British Columbia will post a 5.3 per cent gain in renovation expenditures, much the same pace as in 1997. Continued job and income growth, combined with a greater consumer willingness to spend on big ticket items, will lift renovation activity.

Only in B.C. and Alberta will expenditures on new construction exceed those for renovation. This is the result of a high rate of new construction in those two provinces and much newer dwelling stock than elsewhere. ❖

For more information about this forecast, call Gary MacDonald at Canada Mortgage and Housing Corporation, Market Analysis Centre.

Tel: (613) 748-2359

CMHC offers a wide range of housing-related information. For details, contact your local CMHC office.



consider a new detached home. Multiple starts will move up as renters in search of cost-competitive ownership homes increase demand for town homes and condominiums.

Home resales are running high, but are down from the exceptional levels of the beginning of the year. Consumer optimism created in an environment of strong job creation has sustained the demand for resale homes. Resale numbers for the first three quarters are ahead of the same period in 1996 and will end this year slightly above last year's record. Even higher resale numbers are anticipated in 1998.

Moderating home supply and increased demand has caused home prices to rise in most of Ontario's major centres. Resale market classification indicators, such as sales-to-new listings ratios, started the year very high but have now edged down and suggest that further home price increases this year will be modest to flat. In most Ontario centres, sales-to-new listings ratios are straddling the boundary between seller's and balanced markets — running slightly higher in Toronto and adjacent centres and lower in Sudbury and London. Average annual resale price growth will outpace the general rate of inflation by roughly three times in 1997. Price increases will be due in part to a slight shift to more expensive move-up home purchases. Next year's average resale price increase is expected to be closer to the general rate of inflation.

Manitoba

Housing markets benefit from buoyant economy

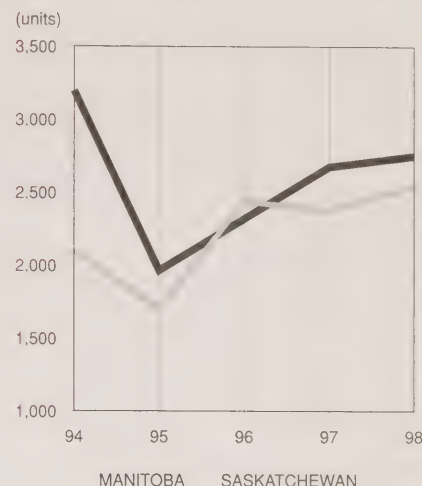
Manitoba's housing markets have benefited from provincial economic growth. The strong provincial economy, which grew at almost twice the national rate in 1996, has continued this year with above-average rates of growth in job creation, retail trade, manufacturing shipments and farm cash receipts. Employment was up a

sharp 2.9 per cent in the first nine months of 1997. Full-time jobs accounted for 90 per cent of this year's growth.

According to Statistics Canada, private investment spending in Manitoba is expected to rise 9.7 per cent for a sixth consecutive annual increase. Much of this strength is due to continuing gains in manufacturing investment, which will rise 29 per cent this year. Interprovincial out-migration declined for the seventh consecutive year in 1996 to the lowest level since 1984. This represents the most consistent improvement in Manitoba's balance on interprovincial migration in at least three decades and provides a good indication of Manitoba's improving economic performance.

Brisk resales have spurred a turnaround in new construction this year, with total housing starts in urban centres up 53 per cent in the third quarter of 1997. Overall starts across the province are up 22 per cent up to the end of September and are well within reach of the forecast market of 2,675 units. While single-family starts command the lion's share of new activity, multiple starts have rebounded thanks to construction of Senior Life-Lease rental projects and low density condominium units. Resale volumes across the province between July and September matched last year's third quarter production, pushing year-to-date activity up 3.8 per cent. Low mortgage rates, teamed with an upbeat labour market, have fueled first-time buyer sales this year. First Home Loan Insurance (FHLI) volumes throughout Manitoba are up 21 per cent to the end of September. On the other end of the spectrum, optimistic consumer sentiment has kick-started move-up buyer activity and spelled good news for the home building industry in Manitoba.

Housing Starts Manitoba and Saskatchewan



SOURCE: CMHC.
1997-98 Forecast.

Saskatchewan

Job growth, shortage of supply stimulate active markets

Saskatchewan is experiencing its second year of strong job growth. Economic expansion is creating new jobs in natural resources, manufacturing, finance, insurance, real estate and the service sector. All components of the economy have grown except for government spending. Exports and business investment have been particularly strong. Predictably, average weekly earnings have increased. This has led to increasing consumer confidence and spending, and encouraged new household formation.

Saskatchewan housing markets will be characterized by short supply, steady demand and rising prices and rents in 1998. Rising rents inspired by low vacancies will continue to motivate modest-income families to consider home ownership. However, because rent increases will not be sufficient to prevent landlords from converting their rental property to condominiums, the rental supply will continue to decline. The inventory of modestly priced existing homes has fallen to the lowest level on record,

raising resale prices and stimulating housing construction. Population data from Saskatchewan Health suggests young families are leaving the cities to seek lower-priced land and taxes in communities surrounding the major centres. Builders and developers advise that subtrades are difficult to find in this active market, slowing housing production to some extent.

New home building in the province is set to decline moderately to 2,375 units this year and rise to 2,545 units next year.

Alberta

Housing surge led by multiples

A rapidly expanding economy, strong in-migration and surging consumer optimism have combined to bolster housing demand in Alberta in 1997. Total starts increased by 27 per cent in the third quarter over the same period in 1996 and, after nine months, were 44 per cent ahead of last year's tally. While single-detached starts have improved province-wide, multiples have led the surge in residential construction, increasing 53 per cent for the year to date. In urban centres, strong demand for condominium

apartments has boosted multiples by a wider margin than in rural areas this year. Sales in the existing market are on a record-setting pace, up by almost 20 per cent to the end of August. Increased purchases of move-up homes and seller's market conditions in some centres have boosted prices this year in the resale market.

Total housing activity in Alberta will reach 23,550 units in 1997 and climb another 15.5 per cent to 27,200 next year. Tighter supplies of new homes, rising consumer confidence and a growing economy will encourage increased production in 1998. However, shortages of labour and increased material costs will boost prices. These higher prices, combined with an up-tick in mortgage rates in 1998, will have negative effects on carrying costs and will slow demand growth.

Meanwhile, falling inventories in the resale market will encourage more buyers to consider new homes. Seller's market conditions will produce another year of strong resale price gains but affordability concerns will begin to limit demand. Driven by an active labour market and a growing population, sales in the existing market are set for yet another record-breaking year. In 1998, MLS activity will edge out this year's performance by 1,000 units, for a total of 45,000 sales. Lower vacancy rates will increase interest in the construction of multiple units for rent. Demand for new condominiums will remain strong, particularly in Calgary, where rising prices for new singles are boosting sales of more affordable higher-density units.

British Columbia

Decline in interprovincial migration holds back housing recovery

Declining unemployment rates in Alberta and Ontario are reducing the number of people moving to B.C. This has had mixed results for housing in the province: while mortgage

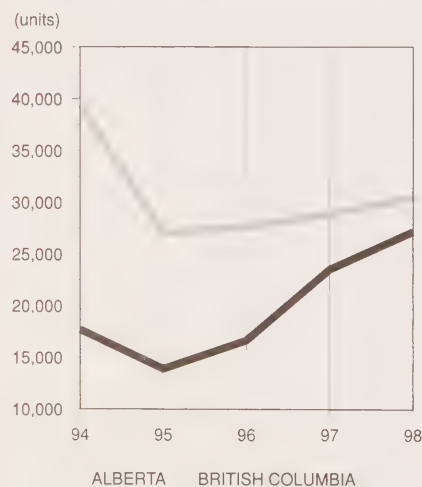
rates are lower, new construction activity is slower than anticipated. Housing starts are expected to rise by over 5 per cent from 28,900 in 1997 to 30,500 units next year. Estimates have been adjusted downward from previous forecasts to account for the weaker than expected growth.

Single-family starts are running slightly ahead of last year's pace. A general recovery in this market segment has been slow, largely because of escalating development cost charges and higher land assembly costs in many communities. Reduced inventories and rising sales will translate into increased single-family activity in 1998.

Construction of apartment condominium units will continue unabated, as high levels of pre-sales in Vancouver prompt further development, particularly in the entry-level market. Reductions in levels of complete and unoccupied units have also paved the way for some higher-end products in niche markets. Prices for apartment condominiums have firmed somewhat over the past six months and will continue to increase modestly over the next year.

Although housing sales have improved from the first quarter, seasonally adjusted activity has been relatively flat for the past few months. Annual sales will finish the year virtually unchanged from 1996, improving by 4.0 per cent in 1998. One explanation for the lacklustre sales performance this year could be the fact that many first-time home buyers, aided by the First Home Loan Insurance Program, purchased a home when mortgage rates declined in 1996. This would have alleviated pent-up demand and reduced demand this year. As a result, prices have softened over the last several months but are expected to resume a slow upward trend in 1998. ■

Housing Starts Alberta and British Columbia



SOURCE: CMHC.
1997-98 Forecast.

Housing Starts

Total (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997(F) | 1998(F) |
|------|--------|--------|--------|--------|--------|---------|---------|
| NFLD | 2271 | 2405 | 2243 | 1712 | 2034 | 1775 | 1850 |
| % | -19.9 | 5.9 | -6.7 | -23.7 | 18.8 | -12.7 | 4.2 |
| PEI | 644 | 645 | 669 | 422 | 554 | 450 | 490 |
| % | 16.5 | 0.2 | 3.7 | -36.9 | 31.3 | -18.8 | 8.9 |
| NS | 4673 | 4282 | 4748 | 4168 | 4059 | 4000 | 3815 |
| % | -9.7 | -8.4 | 10.9 | -12.2 | -2.6 | -1.5 | -4.6 |
| NB | 3310 | 3693 | 3203 | 2300 | 2722 | 2650 | 2775 |
| % | 15.3 | 11.6 | -13.3 | -28.2 | 18.3 | -2.6 | 4.7 |
| QUE | 38228 | 34015 | 34154 | 21885 | 23220 | 27000 | 29000 |
| % | -14.4 | -11.0 | 0.4 | -35.9 | 6.1 | 16.3 | 7.4 |
| ONT | 55772 | 45140 | 46645 | 35818 | 43062 | 55200 | 61500 |
| % | 5.6 | -19.1 | 3.3 | -23.2 | 20.2 | 28.2 | 11.4 |
| MAN | 2310 | 2425 | 3197 | 1963 | 2318 | 2675 | 2750 |
| % | 18.5 | 5.0 | 31.8 | -38.6 | 18.1 | 15.4 | 2.8 |
| SASK | 1869 | 1880 | 2098 | 1702 | 2438 | 2375 | 2545 |
| % | 87.3 | 0.6 | 11.6 | -18.9 | 43.2 | -2.6 | 7.2 |
| ALTA | 18573 | 18151 | 17692 | 13906 | 16665 | 23550 | 27200 |
| % | 48.7 | -2.3 | -2.5 | -21.4 | 19.8 | 41.3 | 15.5 |
| BC | 40621 | 42807 | 39408 | 27057 | 27641 | 28900 | 30500 |
| % | 27.4 | 5.4 | -7.9 | -31.3 | 2.2 | 4.6 | 5.5 |
| CAN | 168271 | 155443 | 154057 | 110933 | 124713 | *148600 | *162400 |
| % | 7.7 | -7.6 | -0.9 | -28.0 | 12.4 | 19.2 | 9.3 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

Housing Starts

Singles (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 1611 | 1559 | 1455 | 1165 | 1395 | 1250 | 1300 |
| % | -24.5 | -3.2 | -6.7 | -19.9 | 19.7 | -10.4 | 4.0 |
| PEI | 421 | 460 | 454 | 364 | 430 | 350 | 400 |
| % | 12.0 | 9.3 | -1.3 | -19.8 | 18.1 | -18.6 | 14.3 |
| NS | 3232 | 3126 | 3358 | 3040 | 3278 | 3050 | 3115 |
| % | 24.1 | -3.3 | 7.4 | -9.5 | 7.8 | -7.0 | 2.1 |
| NB | 2391 | 2535 | 2547 | 1722 | 2173 | 2100 | 2300 |
| % | 11.0 | 6.0 | 0.5 | -32.4 | 26.2 | -3.4 | 9.5 |
| QUE | 18564 | 17136 | 18414 | 13428 | 14818 | 16900 | 18700 |
| % | -17.6 | -7.7 | 7.5 | -27.1 | 10.4 | 14.1 | 10.7 |
| ONT | 27868 | 26240 | 30036 | 20124 | 27019 | 36000 | 38500 |
| % | 6.0 | -5.8 | 14.5 | -33.0 | 34.3 | 33.2 | 6.9 |
| MAN | 1683 | 1874 | 2441 | 1564 | 1875 | 2075 | 2150 |
| % | 5.9 | 11.3 | 30.3 | -35.9 | 19.9 | 10.7 | 3.6 |
| SASK | 1484 | 1342 | 1542 | 1341 | 1612 | 1630 | 1670 |
| % | 91.5 | -9.6 | 14.9 | -13.0 | 20.2 | 1.1 | 2.5 |
| ALTA | 14125 | 13040 | 12671 | 10096 | 12949 | 17800 | 20000 |
| % | 44.5 | -7.7 | -2.8 | -20.3 | 28.3 | 37.5 | 12.4 |
| BC | 21472 | 17787 | 16591 | 11581 | 12447 | 12970 | 13950 |
| % | 17.1 | -17.2 | -6.7 | -30.2 | 7.5 | 4.2 | 7.5 |
| CAN | 92851 | 85099 | 89509 | 64425 | 77996 | *94100 | *102100 |
| % | 7.3 | -8.3 | 5.2 | -28.0 | 21.1 | 20.6 | 8.5 |

Multiples (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|------|-------|-------|-------|-------|-------|---------------------|---------------------|
| NFLD | 660 | 846 | 788 | 547 | 639 | 525 | 550 |
| % | -5.8 | 28.2 | -6.9 | -30.6 | 16.8 | -17.8 | 4.8 |
| PEI | 223 | 185 | 215 | 58 | 124 | 100 | 90 |
| % | 26.0 | -17.0 | 16.2 | -73.0 | 113.8 | -19.4 | -10.0 |
| NS | 1441 | 1156 | 1390 | 1128 | 781 | 950 | 700 |
| % | -43.9 | -19.8 | 20.2 | -18.8 | -30.8 | 21.6 | -26.3 |
| NB | 919 | 1158 | 656 | 578 | 549 | 550 | 475 |
| % | 28.0 | 26.0 | -43.4 | -11.9 | -5.0 | 0.2 | -13.6 |
| QUE | 19664 | 16879 | 15740 | 8457 | 8402 | 10100 | 10300 |
| % | -11.1 | -14.2 | -6.7 | -46.3 | -0.7 | 20.2 | 2.0 |
| ONT | 27904 | 18900 | 16609 | 15694 | 16043 | 19200 | 23000 |
| % | 5.3 | -32.3 | -12.1 | -5.5 | 2.2 | 19.7 | 19.8 |
| MAN | 627 | 551 | 756 | 399 | 443 | 600 | 600 |
| % | 73.7 | -12.1 | 37.2 | -47.2 | 11.0 | 35.4 | 0.0 |
| SASK | 385 | 538 | 556 | 361 | 826 | 745 | 875 |
| % | 72.6 | 39.7 | 3.3 | -35.1 | 128.8 | -9.8 | 17.4 |
| ALTA | 4448 | 5111 | 5021 | 3810 | 3716 | 5750 | 7200 |
| % | 63.9 | 14.9 | -1.8 | -24.1 | -2.5 | 54.7 | 25.2 |
| BC | 19149 | 25020 | 22817 | 15476 | 15194 | 15930 | 16550 |
| % | 41.4 | 30.7 | -8.8 | -32.2 | -1.8 | 4.8 | 3.9 |
| CAN | 75420 | 70344 | 64548 | 46508 | 46717 | *54500 | *60300 |
| % | 8.3 | -6.7 | -8.2 | -27.9 | 0.4 | 16.7 | 10.6 |

SOURCE: CMHC.

(F) Forecast.

* Total does not add due to rounding.

MLS Activity

Total Residential Sales (units and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 1829 | 1867 | 1873 | 1655 | 2005 | 2150 | 2225 |
| % | -3.3 | 2.1 | 0.3 | -11.6 | 21.1 | 7.2 | 3.5 |
| PEI | 604 | 654 | 599 | 476 | 750 | 950 | 850 |
| % | -20.9 | 8.3 | -8.4 | -20.5 | 57.6 | 26.7 | -10.5 |
| NS | 6958 | 7180 | 7140 | 7019 | 8372 | 8250 | 7800 |
| % | 19.7 | 3.2 | -0.6 | -1.7 | 19.3 | -1.5 | -5.5 |
| NB | 3550 | 3483 | 3339 | 3496 | 4023 | 3900 | 4100 |
| % | 8.9 | -1.9 | -4.1 | 4.7 | 15.1 | -3.1 | 5.1 |
| QUE | 31946 | 31875 | 33575 | 29824 | 38031 | 42000 | 44000 |
| % | 14.1 | -0.2 | 5.3 | -11.2 | 27.5 | 10.4 | 4.8 |
| ONT | 115260 | 107575 | 116005 | 105789 | 138859 | 143000 | 148000 |
| % | 9.0 | -6.7 | 7.8 | -8.8 | 31.3 | 3.0 | 3.5 |
| MAN | 11383 | 10546 | 10825 | 9749 | 10965 | 11350 | 11000 |
| % | 19.6 | -7.4 | 2.6 | -9.9 | 12.5 | 3.5 | -3.1 |
| SASK | 7829 | 7375 | 7459 | 7349 | 8689 | 8370 | 7815 |
| % | 20.4 | -5.8 | 1.1 | -1.5 | 18.2 | -3.7 | -6.6 |
| ALTA | 38545 | 37024 | 32512 | 29098 | 37485 | 44000 | 45000 |
| % | 12.2 | -3.9 | -12.2 | -10.5 | 28.8 | 17.4 | 2.3 |
| BC | 93564 | 80919 | 75270 | 58082 | 72182 | 72000 | 75000 |
| % | 10.7 | -13.5 | -7.0 | -22.8 | 24.3 | -0.3 | 4.2 |
| CAN** | 311468 | 288498 | 288597 | 252537 | 321361 | *336000 | *345800 |
| % | 11.1 | -7.4 | 0.0 | -12.5 | 27.3 | 4.5 | 2.9 |

Average Residential Price (dollars and annual per cent change)

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 ^(F) | 1998 ^(F) |
|-------|--------|--------|--------|--------|--------|---------------------|---------------------|
| NFLD | 92137 | 91243 | 91697 | 89525 | 93666 | 93000 | 93500 |
| % | 1.4 | -1.0 | 0.5 | -2.4 | 4.6 | -0.7 | 0.5 |
| PEI | 75570 | 72422 | 78753 | 73807 | 83962 | 86000 | 86000 |
| % | 6.4 | -4.2 | 8.7 | -6.3 | 13.8 | 2.4 | 0.0 |
| NS | 87685 | 88965 | 91109 | 89788 | 93448 | 97500 | 103000 |
| % | 1.4 | 1.5 | 2.4 | -1.4 | 4.1 | 4.3 | 5.6 |
| NB | 82478 | 84951 | 84149 | 83994 | 84035 | 87700 | 88000 |
| % | 2.0 | 3.0 | -0.9 | -0.2 | 0.0 | 4.4 | 0.3 |
| QUE | 102311 | 102447 | 102242 | 98837 | 98922 | 104000 | 107000 |
| % | -0.5 | 0.1 | -0.2 | -3.3 | 0.1 | 5.1 | 2.9 |
| ONT | 161364 | 156403 | 160033 | 154537 | 155576 | 164500 | 169000 |
| % | -5.7 | -3.1 | 2.3 | -3.4 | 0.7 | 5.7 | 2.7 |
| MAN | 80686 | 81748 | 83761 | 81897 | 85316 | 87000 | 88000 |
| % | 0.3 | 1.3 | 2.5 | -2.2 | 4.2 | 2.0 | 1.1 |
| SASK | 68406 | 70698 | 72738 | 73796 | 77476 | 84500 | 86000 |
| % | 1.0 | 3.4 | 2.9 | 1.5 | 5.0 | 9.1 | 1.8 |
| ALTA | 113558 | 117085 | 117336 | 114772 | 117672 | 124200 | 130400 |
| % | 1.9 | 3.1 | 0.2 | -2.2 | 2.5 | 5.5 | 5.0 |
| BC | 189999 | 211992 | 229514 | 221860 | 218687 | 220000 | 221000 |
| % | 12.9 | 11.6 | 8.3 | -3.3 | -1.4 | 0.6 | 0.5 |
| CAN** | 149590 | 152914 | 158309 | 150353 | 151049 | *155700 | *159800 |
| % | 1.8 | 2.2 | 3.5 | -5.0 | 0.5 | 3.1 | 2.6 |

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

* Total does not add due to rounding.

** Excludes Yukon and Northwest Territories.

Major Housing Indicators

Seasonally adjusted at annual rates
(levels and quarterly percentage change)

| | 96:Q1 | 96:Q2 | 96:Q3 | 96:Q4 | 97:Q1 | 97:Q2 | 97:Q3 |
|---|-------|-------|-------|-------|-------|-------|-------|
| New housing | | | | | | | |
| Building permits, units, thousands | 131.2 | 125.8 | 133.0 | 146.6 | 163.2 | 152.1 | 161.4 |
| % | 20.3 | -4.1 | 5.7 | 10.3 | 11.3 | -6.8 | 6.1 |
| Housing starts, total, thousands | 112.8 | 124.0 | 128.8 | 129.3 | 155.2 | 145.4 | 148.7 |
| % | 1.7 | 9.9 | 3.9 | 0.4 | 20.0 | -6.3 | 2.3 |
| Housing starts, singles, thousands | 69.4 | 78.9 | 79.5 | 79.9 | 103.3 | 91.0 | 94.1 |
| % | 4.2 | 13.7 | 0.8 | 0.5 | 29.3 | -11.9 | 3.4 |
| Housing starts, multiples, thousands | 43.4 | 45.1 | 49.3 | 49.4 | 51.9 | 54.4 | 54.6 |
| % | -2.0 | 3.9 | 9.3 | 0.2 | 5.1 | 4.8 | 0.4 |
| Housing completions, total, thousands | 115.7 | 112.5 | 119.6 | 123.6 | 135.3 | 152.6 | 137.3 |
| % | 6.0 | -2.7 | 6.3 | 3.3 | 9.5 | 12.7 | -10.0 |
| New house price index, 1986=100 | 132.8 | 131.6 | 131.3 | 131.7 | 132.6 | 132.8 | 132.8 |
| % | -0.3 | -0.9 | -0.2 | 0.3 | 0.7 | 0.2 | -0.1 |
| Existing housing | | | | | | | |
| MLS resales, units, thousands | 289.8 | 300.2 | 307.1 | 387.7 | 358.0 | 328.6 | 323.7 |
| % | 10.9 | 3.6 | 2.3 | 26.3 | -7.7 | -8.2 | -1.5 |
| MLS average resale price, \$C thousands | 148.0 | 152.7 | 152.4 | 150.9 | 152.5 | 157.3 | 155.5 |
| % | -1.0 | 3.1 | -0.2 | -1.0 | 1.0 | 3.2 | -1.1 |
| Mortgage market | | | | | | | |
| Mortgages outstanding, \$C billions | 344.0 | 348.5 | 351.6 | 355.7 | 361.4 | 364.9 | .. |
| % | 1.1 | 1.3 | 0.9 | 1.2 | 1.6 | 1.0 | .. |
| Mortgage approvals, \$C billions | 63.7 | 62.4 | 70.2 | 88.7 | 86.2 | 74.4 | .. |
| % | 23.2 | -2.1 | 12.5 | 26.3 | -2.9 | -13.7 | .. |
| 1-year mortgage rate, per cent* | 6.75 | 6.50 | 6.25 | 5.25 | 5.15 | 5.38 | 5.65 |
| 5-year mortgage rate, per cent* | 8.03 | 8.50 | 8.13 | 7.03 | 7.18 | 7.33 | 6.95 |
| Residential investment** | | | | | | | |
| Total, \$1986 billions | 27.7 | 29.8 | 31.2 | 32.8 | 33.6 | 34.5 | .. |
| % | 5.3 | 7.8 | 4.6 | 5.3 | 2.4 | 2.6 | .. |
| New, \$1986 billions | 11.8 | 13.0 | 13.8 | 13.8 | 14.8 | 15.7 | .. |
| % | 5.5 | 10.0 | 6.7 | -0.5 | 7.7 | 6.0 | .. |
| Alterations, \$1986 billions | 9.4 | 10.3 | 10.6 | 10.7 | 11.0 | 11.3 | .. |
| % | 2.3 | 8.9 | 3.6 | 0.9 | 2.3 | 3.0 | .. |
| Transfer costs, \$1986 billions | 6.5 | 6.6 | 6.7 | 8.3 | 7.8 | 7.5 | .. |
| % | 9.6 | 2.2 | 1.9 | 24.1 | -6.1 | -4.6 | .. |
| Deflator, 1986=100 | 139.8 | 140.1 | 140.6 | 141.5 | 141.6 | 142.9 | .. |
| % | 0.8 | 0.2 | 0.4 | 0.6 | 0.1 | 0.9 | .. |

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

** Residential investment includes outlays for new permanent housing, conversion costs, the cost of alterations and improvements, supplementary costs, and transfer costs.

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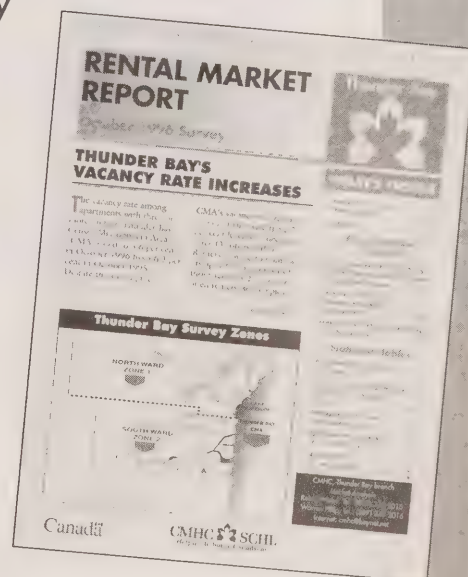
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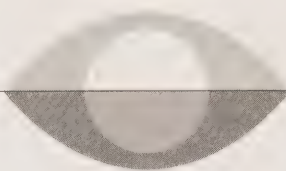
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